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GSU Economic Forecasting Project Newsletter

School of Business Administration, Georgia State University, University Plaza, Atlanta, Georgia 30303
(404) 658-3282

Donald Ratajczak, Director

MONTHLY PROJECTIONS
FOR SEPTEMBER

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RECESSION VERY MUCH IN FORCE THROUGH NOVEMBER

Economic activity clearly continued to decline through November, although the degree of decline in industrial activity was much less than in previous months. However, the service economy showed an unexpected reduction, primarily because of underutilization of utilities. This explains why monthly GNP fell so sharply in that month. Although weather conditions remain unusually warm, utility consumption should not show the small degree of slowing in December that occurred in the previous month. Moreover, the industrial sector appears to be stabilizing, as continuing reductions in automobile inventories are beginning to encourage other manufacturers that their current order books will show little further cancellations. As a result, inventories outside the automobile sector appear to be expanding modestly in December.

As we have mentioned during other periods of unusual weather conditions, changes in the need to purchase energy lead to unanticipated changes in consumption in the same direction during that quarter. In the subsequent quarter, activity changes in the opposite direction. Thus, unseasonably mild weather is generating a substantial shortfall in utility purchases. The magnitude of the shortfall may be at an annual rate approaching $4 billion. This will be added to consumer purchasing power during the first quarter.

Unfortunately, the economy needs that degree of economic expansion, because the current Christmas season has not been a strong success. Our estimates currently show that real department store sales are only about 2% above previous year levels. Moreover, Christmas during 1981 was unusually bleak. Therefore, the Christmas sales are not sufficient to end the recession. Then what is going to turn the economy around?

First, our estimates suggest that economic activity increased in December. That is the reason why the flash figures probably are unduly pessimistic. A mixed pattern for sensitive prices, a modest increase in automobile and steel

production, and the beginning of stabilization in nondefense capital goods orders, all are contributing to this assessment that the decline has ended. Initial unemployment claims also are suggesting that payrolls are beginning to expand. However, this economic turn is being motivated almost exclusively by a reduction in the degree by which inventories are being liquidated. Without follow-through in final expenditures, such a strengthening of economic activity will go the way of the temporary increases that developed in February, May, and July.

Second, the consumer will have another chance to respond favorably to changing tax liabilities at the beginning of 1983. Although some economists still insist that tax changes will not alter behavior until withholding rates are adjusted, the overwhelming evidence, including performance during 1982, suggests that changes in the tax liabilities incurred when each dollar is earned is sufficient to alter consumer activity. Just as consumer spending grew during the first quarter of 1982, despite a dramatic decline in employment and earnings, consumer spending should grow early in 1983. Because inventories are nearing the end of their liquidation phase, rather than merely beginning a decline, as in early 1982, this improving consumer activity should begin to generate gains in employment and production.

Third, the improvement in housing is sustainable, although the November numbers clearly reflected the imposition of spring-like weather and spring-like activity upon a data series that used fall-like seasonal adjustments. Housing starts will decline to less than 1.2 million units during the first quarter, when more seasonal weather patterns should prevail. However, a return to nearly 1.4 million starts seems likely during the important second quarter.

While the above factors will encourage economic activity to expand, the developing recovery clearly will be anemic. Because the dollar has remained so strong for so long, the current account deficit will probably exceed $20 billion in 1983. Undoubtedly, the dollar will be under downward pressure, leading to some outflow of short-term capital. A small portion of this outflow was observed during the fourth quarter, but the pressures will be more sustained in 1983. To manage the declining dollar, the Federal Reserve probably will be forced to pursue monetary policies that are not fully accomodative of the developing recovery. In addition, the outflow of funds will place one more burden upon households and corporations in meeting the heavy debt burdens provided by the federal government. Deficits in 1983 will approach $185 billion.

Because of these developing problems in savings flows, further declines in interest rates will be extremely limited. While short-term interest rates may fall until a Federal funds rate of 7% is established for a brief period of time because of technical conditions, short-term interest rates will be trending up after the first quarter of 1983. Long-term interest rates probably will decline until the new long-term Treasury bond reaches a level of 105 by March. Further improvement in the long-term bond from that level is not anticipated, although the probability of significant declines also seems to be remote.

Technical conditions in short-term credit markets are related to new money market deposit accounts and super NOW accounts. More than 30% of the dollar value moving into money market deposits came from deposits in the banking system already requiring some reserves. Therefore, the movement from a reserve requiring deposit to a nonreserve deposit has momentarily created excess reser-

ves. Indeed, the deposits that can be generated from a given supply of potential reserves has increased, possibly by as much as 5%, because of these shifting instruments. Thus, there has been a significant reduction in the demand for reserves and a potential increase in the total amount of short-term assets outstanding. Whatever this does to someone's official definition of money, it will increase the capacity to engage in transactions, i.e. the behavioral money supply will momentarily accelerate early in 1983. Unfortunately, further dramatic movements toward declining short-term interest rates will lead to a significant outflow of foreign capital, requiring the Federal Reserve to slow deposit growth or risk accelerating inflationary pressures caused by currency realignments. Thus, these temporary shifts in short-term financial assets will not sustain declining interest rates beyond the first quarter of 1983, although they may be instrumental in encouraging more robust gains in economic activity during the spring and summer quarters than currently anticipated.

Thus far, equity values are doing nothing more than reflecting changes in interest rates. The stock market still has not anticipated any improvement in earnings. Gains in equity values only indicate that a stream of expected earnings currently is more valuable because competitive returns on bonds have been reduced. If the economy begins to recover, as outlined above, further substantial gains in equity values are possible, especially during the period when interest rates remain under downward pressure. Therefore, significant equity positions remain desirable during the first half of 1983. Investors should begin to consider movement toward cash accounts in the latter part of the year, but cash positions in the first half of this year should remain minimal.

Although economic activity proved to be weaker than anticipated during the fourth quarter, much of this weakness reflects production curtailments to remove excess inventories, especially in the automobile sector. A gradual improvement in inventory changes is expected to begin in the first quarter. Also, changes in tax liability should begin to encourage consumer spending early in 1983, although Christmas selling clearly was not strong enough to end recessionary forces. Modest gains in housing activity also should begin during the spring, after more normal weather patterns in the winter briefly restrain the statistical surge in housing activity that was measured during the fall. Modest gains in consumer activity and the swing in inventories should be sufficient to generate positive GNP during the first quarter, although the magnitude of gain should not be significant. Second quarter activity should reflect the first true signs of improving conditions. Unfortunately, dollar weakness generated by a substantial current account deficit will create capital outflows about that time. Sharply rising government deficits will prevent interest rates adjusted for inflation from improving significantly. Therefore, sharp increases in economic activity are not likely in 1983. Our current assessment, however, is that enough improvement will be generated in the underlying cost structure of the United States and in the currency realignments during 1983 to sustain economic expansion into 1984. The savings imbalances created by substantial government deficits will restrain the magnitude of economic recovery, but those financial strains no longer appear to be sufficient to prevent recovery.

Those analysts asserting that the economy has established the base from which substantial economic expansion now is likely are "whistling in the dark". The very high real rates of interest were created by savings and investment imbalances, not by the volatility of Federal Reserve actions, although such

volatility was not helpful, nor by unrepentent inflationary expectations from investors who continue to assert that inflationary surges are around the corner despite evidence to the contrary. If the problem is with savings and investment imbalances, then the ultimate solution must also be with the removal of those imbalances, or with their neutralization through unusual savings behavior in the corporate and household sectors. Such unusual savings behavior has not developed. Consumer savings rates are not high for this stage of the business cycle, contrary to some editorial commentary. Moreover, the desire to retain earnings in order to finance corporate investment remains modest. Indeed, dividend disbursements have been running an unusually high 12.5% above previous year levels in recent months. Therefore, the necessary adjustments to remove impediments to sustained economic recovery have not occurred.

Nonetheless, enough cyclical forces are currently moving in the appropriate direction to generate a modest, if anemic, upturn. In an economy that is issuing few favors, any favorable condition should be highly relished. Therefore, the investment implications of this anemic recovery remain favorable. Limited opportunities exist in the fixed income markets during the first half of 1983. More significant opportunities appear in the equity markets. Nevertheless, conditions are not yet at a point where a buy-and-hold investment philosophy throughout 1983 is warranted.

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EMPLOYMENT

	Payroll Employment		Index of Hours Worked		Household Employment		Unemployment Rate		Hourly Earnings Index	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
March 1982	90304	90304	105.6	105.6	99492	99492	9.0	9.0	145.4	145.4
April	90083	90083	105.2	105.2	99340	99340	9.4	9.4	146.3	146.3
May	90151	90166	105.6	105.7	100117	100117	9.5	9.5	147.6	147.7
June	90010	89839	105.0	104.9	99764	99764	9.5	9.5	147.9	148.1
July	89923	89535	104.9	104.8	99808	99732	9.8	9.8	148.7	148.9
August	89863	89312	104.9	104.1	99833	99839	9.9	9.8	149.6	149.9
September	89953	89267	105.0	103.9	100008	99720	9.8	10.1	150.5	150.1
October	90126	88878	105.3	102.9	100118	99093	9.8	10.4	151.2	150.8
November	90325	88715	105.5	102.5	100221	99032	9.8	10.8	152.0	151.0
December	90497	88786	105.8	102.7	100357	99011	9.7	10.7	152.7	151.5
January 1983	90569	88845	106.0	102.9	100569	99141	9.7	10.6	153.8	152.1
February	90726	88912	106.2	102.9	100748	99278	9.6	10.7	154.9	152.8
March	90919	89016	106.3	103.0	100963	99482	9.5	10.7	156.0	153.3
April	91168	89261	106.6	103.3	101128	99786	9.5	10.6	156.6	154.1
May	91315	89375	106.9	103.5	101453	100036	9.4	10.6	157.5	155.0
June	91462	89514	107.1	103.7	101629	100326	9.4	10.5	158.4	155.8

PERSONAL INCOME

	Personal Income		Wage & Salary		Personal Savings		Disposable Income		Personal Outlays	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
March 1982	2.519	2.519	1.543	1.543	144.3	143.3	2.124	2.124	1.981	1.981
April	2.534	2.536	1.547	1.547	152.5	152.4	2.147	2.146	1.994	1.994
May	2.553	2.556	1.560	1.560	128.8	139.4	2.152	2.153	2.023	2.013
June	2.561	2.566	1.562	1.563	144.7	141.2	2.157	2.156	2.013	2.014
July	2.589	2.588	1.567	1.570	177.3	161.0	2.214	2.195	2.037	2.034
August	2.603	2.592	1.574	1.570	165.6	155.4	2.223	2.197	2.058	2.041
September	2.622	2.597	1.584	1.570	158.7	139.5	2.238	2.203	2.079	2.063
October	2.647	2.611	1.602	1.571	163.6	144.2	2.258	2.213	2.094	2.069
November	2.668	2.621	1.615	1.570	169.7	129.1	2.275	2.222	2.105	2.093
December	2.688	2.637	1.628	1.578	171.0	146.7	2.291	2.234	2.120	2.087
January 1983	2.704	2.647	1.640	1.587	158.6	134.8	2.297	2.242	2.139	2.107
February	2.727	2.663	1.657	1.594	156.2	133.4	2.313	2.256	2.157	2.123
March	2.744	2.679	1.669	1.601	148.4	133.7	2.325	2.271	2.175	2.137
April	2.756	2.700	1.679	1.614	140.3	134.7	2.333	2.289	2.193	2.154
May	2.777	2.719	1.688	1.627	143.3	138.4	2.351	2.308	2.208	2.170
June	2.793	2.736	1.697	1.639	140.1	136.9	2.362	2.322	2.222	2.185

Fore. = August Forecast
C.E. = Current Expectations

CONSUMPTION

	Personal Consumption		Durables		Nondurables		Services		Consumption Real	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
March 1982	1922.4	1922.4	238.8	238.8	745.4	745.4	938.2	938.2	950.1	950.1
April	1935.0	1934.8	238.8	238.8	747.0	747.0	949.2	949.1	953.2	953.4
May	1963.9	1954.0	251.0	245.6	760.4	759.2	952.4	949.1	963.2	960.5
June	1953.4	1954.7	238.0	237.8	762.2	758.9	953.2	958.0	952.4	951.0
July	1977.3	1974.1	245.5	236.8	769.3	767.9	962.5	969.4	957.8	954.1
August	1997.8	1981.5	247.2	236.6	776.4	767.7	974.2	977.3	960.7	954.4
September	2019.2	2003.2	253.1	247.6	780.5	769.5	985.6	986.0	965.4	960.4
October	2033.8	2009.4	256.0	239.1	784.2	772.5	993.6	997.7	967.1	957.1
November	2045.0	2032.8	256.5	257.0	788.6	774.9	999.9	1000.8	966.7	966.2
December	2059.5	2027.1	256.7	244.8	796.6	777.0	1006.2	1005.3	967.9	958.8
January 1983	2078.4	2046.7	260.2	253.8	801.1	781.2	1017.1	1011.7	970.7	963.8
February	2095.7	2061.7	264.1	256.8	805.3	785.3	1026.3	1019.6	973.1	966.7
March	2113.3	2076.1	266.2	257.8	811.0	790.9	1036.1	1027.4	975.6	968.5
April	2130.9	2091.7	268.8	262.0	817.6	796.2	1044.5	1033.5	978.4	971.9
May	2146.3	2106.5	270.0	264.8	824.1	802.0	1052.2	1039.7	980.5	973.8
June	2160.5	2121.6	271.9	266.1	830.0	809.0	1058.6	1046.5	982.0	974.9

RETAIL SALES

	Retail Sales		Non-Auto Durables		Auto (Million Units)		Nondurable Sales		Auto Sales	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
March 1982	87.28	87.24	11.78	11.78	7.8	7.7	60.32	60.32	15.18	15.18
April	88.29	88.29	11.91	11.91	7.2	7.3	60.31	60.31	16.07	16.07
May	90.68	90.84	12.14	12.15	8.2	8.2	61.42	61.43	17.12	17.27
June	89.29	88.04	12.09	11.89	6.8	7.0	61.26	60.87	15.94	15.29
July	90.94	89.45	12.12	11.91	7.6	7.4	62.03	62.04	16.79	15.49
August	91.71	88.50	12.20	11.76	8.0	7.6	62.60	61.83	16.91	14.91
September	92.74	89.33	12.21	11.83	8.3	8.3	62.93	61.83	17.60	15.67
October	93.38	89.86	12.28	11.71	8.4	7.8	63.23	62.10	17.87	16.05
November	93.79	91.91	12.36	11.83	8.6	9.0	63.58	62.32	17.85	17.76
December	94.46	90.67	12.37	11.90	8.7	8.0	64.23	62.49	17.86	16.28
January 1983	95.23	92.05	12.46	11.99	8.8	8.5	64.59	62.83	18.18	17.23
February	96.03	92.72	12.55	12.18	8.9	8.6	64.93	63.16	18.55	17.38
March	96.74	93.28	12.63	12.15	9.0	8.7	65.39	63.61	18.72	17.52
April	97.58	94.17	12.70	12.22	9.2	8.9	65.92	64.02	18.96	17.93
May	98.20	94.96	12.65	12.33	9.3	9.0	66.44	64.49	19.15	18.14
June	98.85	95.67	12.74	12.43	9.4	9.0	67.03	65.05	19.42	18.19

Fore. = August Forecast
C.E. = Current Expectations

HOUSING

	Housing Starts		Single Family Starts		Housing Permits		Construction Expenditures (Current)		Construction Expenditures (Real)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
March 1982	0.931	0.931	0.621	0.621	0.851	0.851	224.6	224.6	143.7	143.7
April	0.882	0.882	0.566	0.566	0.879	0.879	226.2	226.1	142.9	144.3
May	1.075	1.066	0.631	0.631	0.944	0.944	229.2	228.7	145.5	147.5
June	0.911	0.908	0.607	0.621	0.948	0.929	232.6	231.6	147.0	149.8
July	1.130	1.193	0.615	0.628	1.063	1.062	232.4	228.8	146.3	147.2
August	0.986	1.033	0.668	0.645	0.896	0.888	232.4	230.4	145.6	148.9
September	0.908	1.129	0.652	0.677	0.852	1.003	231.4	232.4	144.4	149.7
October	1.073	1.129	0.711	0.705	0.937	1.172	234.9	234.9	146.2	150.8
November	1.120	1.428	0.730	0.872	1.004	1.243	238.5	239.8	147.9	153.4
December	1.182	1.299	0.758	0.826	1.063	1.167	242.0	242.5	149.4	154.5
January 1983	1.155	1.244	0.743	0.816	1.045	1.145	243.7	243.4	149.9	154.2
February	1.175	1.258	0.765	0.829	1.053	1.152	245.5	245.0	150.2	154.6
March	1.189	1.277	0.778	0.835	1.067	1.148	246.2	246.2	149.9	154.6
April	1.242	1.328	0.792	0.867	1.116	1.179	248.0	247.7	150.4	154.7
May	1.236	1.371	0.790	0.903	1.093	1.241	250.3	251.9	150.9	156.6
June	1.249	1.387	0.803	0.915	1.126	1.268	252.1	254.9	151.3	157.5

HOUSING CONTINUED

	Private Non-Residential		Public Construction		Residential Construction	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
March 1982	103.6	103.6	51.0	51.0	70.0	70.0
April	102.9	102.8	50.2	51.0	72.5	72.3
May	105.0	104.5	49.2	48.8	75.0	75.5
June	105.6	107.4	49.7	48.9	77.3	75.3
July	106.1	104.2	49.0	48.4	77.3	76.2
August	106.5	102.7	48.9	50.8	77.0	76.9
September	107.0	104.7	48.9	50.3	75.5	77.3
October	107.4	105.2	49.3	52.0	78.2	77.7
November	107.7	106.3	49.6	53.2	81.2	80.3
December	108.0	105.5	49.9	52.7	84.1	84.3
January 1983	108.4	105.1	50.3	51.6	85.0	86.7
February	108.7	105.6	50.9	51.5	85.9	87.9
March	108.9	106.3	50.6	52.0	86.7	87.9
April	109.3	106.5	51.0	52.4	87.7	88.8
May	109.6	106.9	51.7	52.9	89.0	92.1
June	110.2	106.9	51.9	53.5	90.0	94.5

Fore. = August Forecast
C.E. = Current Expectations

BUSINESS ACTIVITY

	Manufacturers Inventories		Durable Goods Orders		Non-Defense Capital Goods Orders		Non-Defense Capital Shipments	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
March 1982	280.1	280.1	77.86	77.86	22.17	22.17	24.06	23.14
April	279.0	279.0	76.89	76.19	22.61	22.61	22.60	22.60
May	276.4	276.4	76.14	75.71	20.33	20.33	23.47	23.47
June	275.1	275.1	74.66	74.55	19.21	19.28	22.76	22.91
July	274.6	274.9	78.52	76.45	20.15	20.32	22.85	22.48
August	273.5	274.3	83.26	72.98	21.62	18.89	22.76	21.78
September	273.2	272.5	82.95	73.27	21.43	20.27	22.82	22.27
October	274.0	272.3	84.27	69.60	21.92	20.18	22.79	21.37
November	275.6	272.0	84.85	70.89	22.45	20.40	22.70	21.33
December	276.9	272.3	85.63	73.65	22.75	20.76	22.75	21.16
January 1983	278.0	273.7	85.98	75.12	22.96	21.02	22.83	21.09
February	279.3	274.3	86.21	75.35	22.68	21.05	22.91	21.23
March	280.6	275.0	86.43	75.46	23.07	21.17	23.00	21.20
April	282.0	276.1	87.25	76.21	23.31	21.36	23.09	21.28
May	283.6	277.0	88.29	77.83	23.56	21.63	23.15	21.35
June	284.9	277.8	89.99	79.92	23.92	21.89	23.43	21.48

	Business Inventories		Defense Shipments		Industrial Production		Capacity Utilization	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
March 1982	514.7	512.8	4.49	4.49	141.7	141.7	71.7	71.6
April	516.2	515.1	4.27	4.27	140.2	140.2	70.8	70.8
May	511.5	510.5	4.67	4.67	139.4	139.2	70.4	70.2
June	508.6	513.0	4.86	4.82	138.4	138.7	69.8	70.0
July	509.3	513.9	4.82	4.80	138.2	138.8	69.5	70.0
August	507.9	514.6	4.88	4.65	138.2	138.4	69.4	69.8
September	507.6	515.4	5.01	4.86	139.1	137.3	70.0	69.2
October	510.2	515.1	5.16	4.93	140.3	136.2	70.9	68.3
November	512.9	514.6	5.24	4.87	141.5	135.6	71.5	67.8
December	514.6	514.0	5.31	4.95	143.0	135.9	72.6	67.9
January 1983	516.8	517.3	5.40	5.13	143.3	136.1	72.7	68.0
February	519.1	519.2	5.45	5.21	144.0	136.3	73.0	68.0
March	521.8	521.0	5.49	5.30	144.4	136.7	73.2	68.2
April	524.1	522.8	5.58	5.39	145.2	138.0	73.7	68.9
May	526.9	524.5	5.69	5.43	146.2	138.6	74.5	69.3
June	529.7	526.3	5.76	5.52	147.0	139.3	75.1	69.6

Fore. = August Forecast
C.E. = Current Expectations

PRICES

	CPI-U (seasonally adjusted)		PPI Finished Goods (seasonally adjusted)		PPI-Industrial Commodities (unadjusted)		Estimated GNP Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
March 1982	283.3	283.3	276.5	276.9	311.0	311.0	2.0390	2.0390
April	284.0	284.0	276.7	277.1	309.9	309.9	2.0510	2.0499
May	286.7	286.7	276.8	276.9	309.6	309.6	2.0604	2.0539
June	289.7	289.7	279.7	279.7	310.7	310.6	2.0792	2.0758
July	290.9	291.4	281.4	281.2	312.6	312.8	2.0886	2.0823
August	292.9	292.2	283.6	283.0	313.4	313.4	2.0945	2.0852
September	294.0	292.7	284.9	282.6	314.2	312.9	2.1013	2.0880
October	295.5	294.1	286.5	283.9	316.9	314.4	2.1189	2.1003
November	297.6	294.4	288.7	285.7	318.7	315.1	2.1354	2.1046
December	299.7	295.0	290.9	286.0	320.5	315.7	2.1519	2.1137
January 1983	300.9	296.2	292.3	286.6	322.0	317.0	2.1623	2.1238
February	301.9	297.6	293.7	288.0	322.8	318.6	2.1725	2.1329
March	302.9	298.8	295.0	290.0	323.6	319.9	2.1828	2.1439
April	304.4	300.3	296.6	291.7	325.3	321.8	2.1954	2.1530
May	306.0	301.8	298.4	293.5	326.9	323.7	2.2068	2.1632
June	307.5	303.3	300.1	295.0	328.3	325.3	2.2178	2.1760

	Consumption Deflator		Consumer Durables		Consumer Nondurables		Consumer Services		Implicit Construction Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
March 1982	202.3	202.3	173.0	173.0	206.2	206.2	208.1	208.1	156.3	156.3
April	203.0	202.9	173.4	173.4	205.9	205.9	209.6	209.5	158.3	156.7
May	203.9	203.4	174.8	173.6	206.7	206.4	210.9	210.4	157.5	155.1
June	205.1	205.5	175.7	175.1	208.2	209.1	211.6	211.8	158.2	154.6
July	206.4	206.9	176.5	175.5	209.6	209.8	213.1	213.9	158.9	155.4
August	208.0	207.6	177.2	175.9	211.3	209.7	214.7	215.3	159.6	154.7
September	209.2	208.6	177.9	176.9	212.4	210.5	216.3	216.7	160.2	155.2
October	210.3	209.9	178.5	176.8	213.5	211.4	217.7	218.6	160.7	155.8
November	211.5	210.4	179.3	176.5	214.7	211.8	219.1	220.1	161.3	156.3
December	212.8	211.4	180.0	176.9	215.9	212.0	220.5	221.5	162.0	157.0
January 1983	214.1	212.4	180.8	177.7	217.2	212.7	222.1	223.0	162.6	157.8
February	215.4	213.3	181.7	178.4	218.4	213.3	223.6	224.3	163.4	158.5
March	216.6	214.4	182.6	178.9	219.6	214.2	225.0	225.7	164.2	159.3
April	217.8	215.2	183.3	179.6	220.6	215.0	226.5	226.8	164.9	160.1
May	218.9	216.3	183.9	180.5	221.5	215.9	228.0	228.2	165.8	160.9
June	220.0	217.6	184.6	181.4	222.3	217.0	229.4	229.8	166.6	161.8

Fore. = August Forecast
C.E. = Current Expectations

MISCELLANEOUS

	Merchandise Trade Balance		Leading Indicators		Estimated GNP		Estimated GNP (1972 $)		IVA (annual rate)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
March 1982	-1747	-1747	125.0	125.2	2999	2999	1471	1471	1.5	1.5
April	456	456	126.8	126.6	3029	3027	1477	1477	1.5	1.5
May	-2340	-2340	127.9	127.7	3052	3037	1481	1479	7.9	7.5
June	-2488	-2488	127.9	128.3	3060	3072	1472	1480	10.4	15.9
July	-1695	-1532	128.3	130.0	3094	3086	1481	1482	14.3	14.0
August	-2743	-5996	128.8	129.7	3090	3082	1475	1478	16.9	10.3
September	-2775	-3257	130.0	131.1	3125	3092	1487	1481	19.5	6.3
October	-2563	-4398	131.3	131.4	3184	3094	1503	1473	23.1	8.6
November	-3012	-4325	130.5	132.8	3205	3094	1501	1470	24.5	11.5
December	-3228	-3629	131.6	133.9	3217	3122	1495	1477	25.3	14.7
January 1983	-3363	-4026	132.3	134.5	3256	3150	1506	1483	21.3	17.3
February	-2742	-3786	132.0	134.7	3288	3165	1513	1484	15.4	17.6
March	-1934	-3561	132.9	135.5	3323	3190	1522	1488	14.6	18.1
April	-2025	-3325	133.9	135.3	3344	3223	1523	1497	12.7	17.5
May	-2545	-3661	134.6	135.2	3371	3253	1528	1504	10.6	17.3
June	-2531	-3772	135.5	135.8	3390	3281	1529	1508	11.3	17.9

Fore. = August Forecast
C.E. = Current Expectations

FINANCIAL MARKETS

	Monetary Base		M1		M2		Federal Funds		T-Bills (6 Mos.)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
March 1982	173.7	173.7	448.3	448.3	1865.2	1865.2	14.68	14.68	12.77	12.77
April	175.1	175.1	452.4	452.4	1880.7	1880.7	14.94	14.94	12.80	12.80
May	176.5	176.6	451.5	451.5	1897.5	1897.5	14.45	14.45	12.16	12.16
June	178.3	177.9	450.9	451.4	1906.9	1907.9	14.15	14.15	12.31	12.31
July	178.3	178.0	452.5	451.3	1917.6	1923.4	13.27	12.59	12.21	11.88
August	179.1	179.3	454.1	455.2	1928.5	1946.3	11.53	10.12	11.45	9.88
September	179.5	179.8	455.4	460.5	1938.2	1954.4	10.99	10.31	10.60	9.37
October	180.6	181.0	458.3	468.3	1957.9	1967.7	12.05	9.71	11.33	8.29
November	182.0	182.0	463.7	474.6	1980.3	1986.1	13.24	9.20	12.14	8.34
December	183.5	183.2	468.5	479.9	2001.4	2008.3	14.43	8.46	12.68	8.26
January 1983	184.3	184.1	470.4	483.1	2015.3	2021.7	13.82	8.13	12.43	7.73
February	185.1	185.0	471.7	484.7	2025.4	2028.4	12.84	7.63	11.52	7.49
March	185.9	185.7	473.1	486.3	2035.6	2039.2	11.93	7.76	11.26	7.65
April	187.3	186.5	475.9	488.4	2058.4	2052.1	11.75	8.15	10.88	8.24
May	188.8	187.1	477.9	490.0	2073.5	2064.0	11.95	8.53	11.17	8.65
June	190.1	188.0	479.5	492.2	2088.8	2077.5	12.16	8.75	11.82	8.82

	Aaa (Seasoned)		Municipals (Bond Buyer)		Commercial Paper		90 Day CD's		Prime Rate	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
March 1982	14.58	14.58	12.82	12.82	13.80	13.80	14.21	14.21	16.50	16.50
April	14.46	14.46	12.59	12.59	14.06	14.06	14.44	14.44	16.50	16.50
May	14.26	14.26	11.95	11.95	13.42	13.42	13.80	13.80	16.50	16.50
June	14.81	14.81	12.45	12.45	13.96	13.96	14.46	14.46	16.50	16.50
July	14.67	14.61	12.28	12.28	13.21	12.94	13.79	13.44	16.26	16.26
August	14.45	13.71	12.02	11.23	11.73	10.15	12.31	10.61	15.43	14.39
September	14.29	12.94	11.79	10.66	11.05	10.36	11.54	10.66	14.06	13.50
October	14.63	12.12	12.19	9.69	12.02	9.20	12.48	9.51	15.05	12.52
November	14.79	11.68	12.42	10.07	12.93	8.69	13.47	8.95	15.99	11.85
December	14.86	11.72	12.48	10.07	14.36	8.53	14.79	8.76	17.08	11.50
January 1983	14.42	11.63	11.98	10.01	14.01	8.27	14.49	8.59	17.00	11.26
February	14.21	11.26	11.70	9.67	13.04	7.75	13.53	8.14	16.05	11.00
March	14.01	11.25	11.49	9.53	12.09	7.89	12.62	8.31	14.95	11.00
April	13.97	11.15	11.37	9.50	11.95	8.24	12.38	8.67	14.75	11.00
May	13.88	11.22	11.08	9.55	12.09	8.69	12.45	9.05	15.06	11.39
June	13.89	11.20	11.46	9.53	12.28	8.85	12.63	9.32	15.00	11.76

Fore. = August Forecast
C.E. = Current Expectations

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Georgia State University

university plaza
atlanta, georgia 30303

MONTHLY PROJECTIONS
FOR OCTOBER
Issued January 17, 1983

SIGNS OF RECOVERY SURFACE LATE IN DECEMBER

Monthly statistics suggest that economic activity continued to decline in December. Aided by a sharp drop in automobile sales, retail sales fell 0.4% in the month. Industrial production dropped a minor 0.1%. Payroll employment fell 166,000, while the index of hours worked in the private economy fell 0.6%. Further monthly statistics for personal income and outlays, construction, and business sales are expected to show recessionary tendencies.

A closer examination of economic trends within the month suggest, however, that an economic upturn probably began late in the month. Sensitive prices, which dropped 1.1% in December, appear to have increased more than 1% for the Janaury PPI report. A significant portion of the decline in payroll employment appears to be related to faulty seasonals on retail trade employment. (A year ago retail employment fell 100,000 in December and then regained that 100,000 in January.) A return to more seasonal weather late in December may also have contributed to lower construction activity than occurred during the unseasonal November period. Also, retail sales definitely rebounded strongly during Christmas week and held those gains in the subsequent weeks. Indeed, returned merchandise during the post Christmas week appear to have been well below levels budgeted by most merchandisers. Although the acceleration to 550,000 initial unemployment claims late in December appears to contradict this developing trend, new legislation during the Lame Duck Congressional session increased unemployment eligibility. Thus, that increase in claims and several subsequent increases that we anticipate reflect changing requirements rather than changing economic environments.

Moreover, our estimates of monthly GNP show an increase in December despite the marginal decrease in industrial activity. A moderation in the degree of inventory liquidations is partially responsible for this surprising estimate. Slowing in price increases also led to a more subdued gain in the GNP deflator than in previous months. Although further moderation in the GNP deflator from its accelerating levels during the fourth quarter are not anticipated, reduced inventory liquidations combined with strengthening retail activity should be sufficent to generate the beginning phases of recovery early in 1983.

Unfortunately, most of the futures contracts traded in commodity markets are beginning to expect accelerating inflationary pressures. These anticipations

already may have stalled the bond market rally. Certainly, the Federal Reserve's latest attempt to lead interest rates downward with its discount rate cut to 8.5% did not generate complementary gains in long-term bond prices. Some increases in sensitive prices are inevitable in the early phases of recovery. Copper and aluminum prices simply cannot remain below production costs if production in those materials is expected to expand. Some of the price increases in sensitive prices reflect merely a one-time return to prices necessary to encourage production. Thus, a modest surge of inflation early in 1983 should not be construed as the beginning of reflating policies. Nevertheless, very substantial gains in monetary aggregates must be viewed with some concern by those worrying about reaccelerating inflation.

Social Security: At Least Its Integrity Was Saved

Although Congress must ultimately rule upon the proposals made by the Social Security Commission, the need for action suggests that final approval will not deviate significantly from those proposals.

The near-term cash flow problem, a $28 billion annual net outflow from the combined funds which contain only $30 billion of cash reserves, appears to have been resolved by three basic devices. First, the general fund will credit the social security trust fund for the additional cost of including military in the social security program after 1957, about an $18 billion diversion. Second, cost of living adjustments will be delayed for six months in 1983, after which the adjustments will occur at the beginning of each calendar year. The initial effect of this change is a saving in 1983 of $4 billion but a reduced benefit outlay as a result of reduced compounding of benefits of nearly $40 billion in the remainder of the decade. Third, payroll taxes will be moved up to 1984, but employees will receive a tax credit for their portions of these increased payments, at least in 1984. Once again, funds are diverted from general taxation to the trust funds.

Other changes include an expansion of the tax base by including all new federal employees and all employees from state, local, and non-profit organizations. Half the social security benefits for those also receiving significant other income will be included in the tax base for those individuals ($20,000 annual income for single taxpayers and $25,000 for joint returns). These tax recipients will be returned to the social security trust fund. A contingency formula was proposed for the latter part of the decade which would reduce the cost of living adjustments to the lower of the CPI or wage gains if the trust fund balances fell below a certain percentage of annual payout needs.

The program appears to resolve the near-term cash needs of the social security system. Demographic shifts in the population after 1990 indicate that no further cash flow problem should develop until the second decade of the next century. Although some of the solutions to the near-term problem also address the long-term issues, the long-term cash flow problems have not been fully addressed.

Of greater concern for those expecting a social security decision to significantly reduce total government deficits, the social security proposal only modestly helps resolve long-term deficits. The six month change in cost of living adjustments reduces the deficit by $5 billion. Accelerated payroll taxes will lower deficits beginning in 1984. Restricting those who can leave the

system and including new federal employees after the beginning of 1984 will slightly increase receipts relative to outlays. However, the changes are not significant. Nearly a third of the $169 billion estimated reduction in social security cash needs during the 1980's will be met from direct payments or tax diversion from the general funds. Moreover, most of that diversion will occur in the next year. At best, the social security proposals reduce the annual projected deficits through the 1980's by slightly more than $15 billion.

Quarterly Profile of GNP

	1982-IV	1983-I	1983-II	1983-III	1983-IV
Real	-2.6	3.1	5.0	4.5	3.5
Price	5.7	5.8	5.4	5.5	5.2
Nominal	3.0	9.3	10.8	10.3	9.0

Monthly Statistical Highlights for Janaury 1983

Payroll employment, +74,000; index of hours worked, +0.2%; household employment, +47,000; unemployment rate, 10.9%; personal income, +0.4%; savings rate, 5.8%; personal consumption, +0.7%; retail sales, +0.8%; auto sales, 8.4 million units; housing starts, -4.2%; housing permits, -1.9%; construction expenditures, +1.0%; business inventories, +0.4%; orders for durable goods, +0.7%; orders for nondefense capital goods, unchanged; industrial production, +0.2%; CPI, +0.5%; PPI, +0.3%; consumption deflator, +0.5%; leading indicators, +0.8%; M1, +8.9%; M2, +12.6%.

Monthly Statistical Highlights for February 1983

Payroll employment +71,000; index of hours worked, +0.4%; household employment, +103,000; unemployment rate, 11.0%; personal income, +0.5%; savings rate, 5.8%; personal consumption, 0.6%; retail sales, +0.6%; auto sales, 8.6 million units; housing starts, +1.1%; housing permits, +0.6%; construction expenditures, -0.7%; business inventories, +0.3%; orders for durable goods, +1.5%; orders for nondefense capital goods, +2.7%; industrial production, +0.3%; CPI, +0.5%; PPI, +0.5%; consumption deflator, +0.4%; leading indicators, -0.2%; M1, +4.6%; M2, +7.1%.

COMMENTARY

Employment

In Janaury household employment will include military personnel residing in the United States. This will add more than 1.6 million to employment and to the labor force. As the number of unemployed will be unchanged by this measurement,

but the size of the labor force will be increased by nearly 0.2%, the effect will be to reduce the unemployment rate by 0.2%. This change will not influence payroll employment or the index of hours worked.

A sharp reduction in the seasonal hiring of retail clerks has not yet been reflected in the seasonal pattern used to adjust payrolls. Although payroll employment still would have declined by nearly 100,000 without the seasonal alteration, some distortions clearly exist in the payroll series for December and Janaury. New seasonal adjustments for household employment partially rectify this problem. Thus, the 10.8% unemployment rate measured by the new seasonals appears to be a more correct number than the 11% that would have been generated by failing to make the seasonal adjustment revision.

Unfortunately, the hourly earnings index reacceleratedin December. The index now stands 5.9% above previous year levels, up from 5.5% in November. Coupled with the increased payroll taxes that now appear likely in 1984 this evidence strongly suggests that further significant relief in hourly labor costs is not likely.

Personal Income and Outlays

Unusual advances in transfer payments, especially in the old age insurance program and in the unemployment compensation areas, have provided most of the thrust for personal income in October and November. With initial claims definitely subsiding, growth in the unemployment compensation pool should slow significantly in the next few months. Apparently, rising old age contributions reflect economically based retirements. Some of these increased retirements may persist early into 1983. In Janaury, the amortized value of the increased wages subject to social security will sharply increase personal contributions for social security, although actual outlays will hardly change in the month. As a result, measured personal income will grow slowly while household liquidity and personal outlays will grow more rapidly. The amortized values will subtract approximately $7 billion from personal income in the month.

The under-withholding for high income recipients also will begin to become a factor in personal tax and nontax payments. Janaury tax estimates probably will not be significantly changed but refunds will hold down that component by $8 billion from what it otherwise would have been in the February through April period. A significant portion of this refund activity probably will occur early in the quarter.

Because of shifts in the composition of consumer spending, the implicit price deflator for consumer expenditures grew exceptionally rapidly early in the fourth quarter. This explains some of the acceleration in the GNP deflator, although government wage increases also are a factor in the fourth quarter. (Of course, the President's proposal for a wage freeze will eliminate the fourth quarter deflator changes by the government in 1983.)

Services expenditures are being buffeted by two extraordinary circumstances. First, heavy stock market volumes continue to create increased activity for financial expenditures. At the present time, these expenditures are more noteworthy for being reduced when trading volumes fall below unusually high levels than by being intensified, as they were in the summer months. Second, a very mild fall has led to substantial underconsumption of utilities. This may

have added $4.5 billion at annual rates to consumer purchasing power in the quarter. Normally, such unexpected consumption patterns in utilities are reflected in unexpected changes in consumption in the same direction during the quarter in which those changes occur. In the subsequent quarter, the reduced spending for utilities then is redeployed into other consumer assets. Thus, consumer activity should be stimulated by the mild fall.

Of course, we now know that consumers realize that tax liabilities change on Janaury 1 even if tax payments are not substantially altered until withholding tables are changed in July. This also suggests that savings rates will be unusually low early in the year, possibly leading to higher interest rates in the early months than otherwise would have developed.

Retail Sales

The above factors that are contributing to increased consumer activity are reflected in increased estimates of retail sales. In general, these estimates are reflected in higher automobile sales and higher furnishings and furniture sales than were contained in our November forecast. In general, gasoline consumption and pricing both are expected to be more modest than contained in that forecast. This explains more moderate changes in expected sales for nondurable goods than in the November forecast.

Housing and Construction

The November construction figures clearly were impacted by unusually favorable weather. As a result, housing starts, housing permits, and residential construction expenditures all should be expected to grow much more modestly in the next few months than in November. Nevertheless, it now appears that our estimates of housing activity early in 1983 were too modest. It should also be noted, however, that the implicit construction deflator increased 1.6% in November. This acceleration of construction costs could limit the degree to which housing starts can be generated in 1983. At the present time, a one-time acceleration in the construction deflator is not a cause for concern, as many of those prices were below production costs. The continuation of the November performance in subsequent months, however, could raise fears of reaccelerating inflationary pressures.

The highway program is expected to begin reflecting activity in public construction by spring, as many states have been scaling down desired activities that now can be done with the aid of gasoline revenues. Because of higher construction costs, we have also increased our estimates of nonresidential expenditures relative to our forecast values. Surprisingly, a reduction in house size has led to lower residential construction expenditures per housing unit than we previously had anticipated. Thus, the number of housing units no longer has the same impact upon construction expenditures as it did several years ago.

Business Activity

Business inventories showed the greatest monthly rate of liquidation in November. This should set the stage for some improved industrial activity early

in 1983. The downward adjustment in industrial production in September and October has not been reflected in our estimates of capacity utilization. When the Federal Reserve revises their series, we anticipate that capacity utilization will be revised downward to a level below 67% in December.

Financial Markets

The financial markets currently are being buffeted by several significant offsetting forces. First, the weakness that has recently developed in the dollar is beginning to reduce the inflow of short-term capital from foreign investors. This reduction clearly will have an adverse effect upon credit markets. Second, the beginning of recovery is generating some acceleration of sensitive prices. The movement of gold toward $500 an ounce rivets attention upon this near-term acceleration of inflationary pressures. Our interpretation is that these pressures reflect a one-time upward movement in prices where inventory liquidations had forced them to fall below production costs. Of course, even those price increases forestall any further downward pressures on the cost structure. They do not signal that inflation is reaccelerating at this time. Nevertheless, fundamental forces related to a developing recovery might stall any further downward movement of interest rates. Third, even with adjustments for the shift in portfolios elicited by new deposits, all signs suggest that liquidity has increased significantly in recent months. Coupled with the signs of increasing inflationary pressures, these estimates of intensifying liquidity must limit the degree to which the Federal Reserve can act. Certainly, the latest discount rate move elicited no response in long-term bonds. My own suggestion was that the Federal Reserve should continue to ease until two conditions occurred: one, declines in short-term rates no longer generate complementary downward movements in long-term rates, and two, sensitive prices begin to accelerate. Both of those conditions currently exist, suggesting that the Federal Reserve no longer should accommodate credit market pressures.

Fortunately, seasonal forces support further downward movements in interest rates at this time and the degree of economic recovery remains relatively modest. Those factors may be able to cancel out the factors leading to upward pressures upon interest rates at the present time. Nevertheless, interest rates will not show further significant downward movements. Indeed, our estimates of movements through December show that AAA rates actually increased in that month.

Of course, a change from money market funds to money market deposits at commercial banks and savings and loans will temporarily reduce the aggressive seeking of certificates of deposits. Thus, CD rates are expected to fall relative to other short-term sensitive rates. To the extent that some banks have used the CD rate to determine their prime rate movements, prime rates could fall below the 11% we currently hold as our near-term target. Indeed, our current analysis of the money market deposits suggest that the savings and loans will be net gainers of liquid assets at the expense of commercial banks via the money market intermediaries. This may cause mortgage rates to continue falling even as other interest rates no longer show downward tendencies. As a result, housing activity may be stronger than we had anticipated.

Stock Market

Although the bulk of downward movments in interest rates appears to have occurred, stock market values should continue rising well into 1983. If the economy is recovering, as we expect, corporate earnings should begin to rise sharply. Our current estimate is that after-tax profits will increase in the vicinity of 20% this year. According to our stock market formulas, equity values still can rise by 20% before the potential of rising interest rates in the latter half of 1983 derails further stock market gains. If so, the interim objective of 1250 to 1300 on the Dow Jones average is appropriate.

Indeed, current economic conditions strongly suggest that portfolio rotation out of long-term bonds and into equity ownership may be highly profitable. Locking in yields also may be beneficial, suggesting that cash accounts remain relatively low, providing only liquidity necessary to make portfolio transactions.

1/17/83

EMPLOYMENT

	Payroll Employment		Index of Hours Worked		Household Employment		Unemployment Rate		Hourly Earnings Index	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
June 1982	89839	89839	104.9	104.9	99764	99681	9.5	9.5	148.1	148.1
July	89535	89535	104.8	104.8	99732	99588	9.8	9.8	148.9	148.9
August	89260	89312	104.5	104.1	99839	99683	9.8	9.9	149.9	149.9
September	89045	89267	104.2	103.9	99720	99543	10.1	10.2	150.1	150.1
October	88862	88860	104.0	102.8	99436	99176	10.3	10.5	150.5	150.8
November	88793	88684	103.7	102.5	99345	99136	10.5	10.7	150.9	151.1
December	88799	88518	103.7	101.8	99392	99093	10.7	10.8	151.4	151.9
January 1983	88862	88592*	103.9	102.0*	99526	100739*	10.6	10.7*	152.1	152.6*
February	88995	88663	104.0	102.4	99758	100842	10.5	10.8	152.8	153.3
March	89137	88775	104.2	102.6	99983	100982	10.4	10.9	153.6	154.0
April	89206	88924	104.3	102.9	100066	101191	10.4	10.9	154.3	154.8
May	89257	89015	104.4	103.1	100175	101298	10.4	10.9	155.1	155.6
June	89338	89163	104.5	103.3	100288	101477	10.3	10.9	155.8	156.4
July	89507	89244	104.7	103.5	100499	101607	10.3	10.9	156.5	157.3
August	89645	89372	104.9	103.8	100735	101810	10.3	10.8	157.2	158.3
September	89822	89505	105.2	103.9	100978	102051	10.2	10.7	157.9	159.4

PERSONAL INCOME

	Personal Income		Wage & Salary		Personal Savings		Disposable Income		Personal Outlays	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
June 1982	2.566	2.566	1.563	1.563	141.2	141.2	2.156	2.156	2.014	2.014
July	2.592	2.588	1.570	1.570	164.8	161.0	2.199	2.195	2.033	2.034
August	2.597	2.592	1.570	1.570	153.8	155.4	2.201	2.197	2.047	2.041
September	2.605	2.597	1.569	1.570	140.4	139.5	2.208	2.203	2.067	2.063
October	2.620	2.611	1.577	1.571	146.7	144.2	2.220	2.213	2.073	2.069
November	2.633	2.621	1.583	1.571	140.5	129.1	2.231	2.222	2.091	2.093
December	2.641	2.631*	1.590	1.569*	134.9	133.8*	2.236	2.230*	2.101	2.096*
January 1983	2.651	2.643	1.600	1.579	131.0	131.1	2.249	2.243	2.118	2.112
February	2.665	2.657	1.608	1.588	126.8	130.2	2.261	2.255	2.134	2.125
March	2.679	2.675	1.617	1.598	123.6	135.0	2.273	2.272	2.149	2.137
April	2.696	2.697	1.626	1.611	123.1	135.3	2.289	2.292	2.166	2.157
May	2.711	2.715	1.636	1.623	123.9	135.2	2.302	2.307	2.178	2.172
June	2.727	2.732	1.646	1.635	125.9	134.2	2.316	2.321	2.190	2.187
July	2.742	2.753	1.655	1.648	142.5	147.6	2.347	2.359	2.205	2.211
August	2.762	2.773	1.666	1.663	144.1	153.1	2.363	2.376	2.219	2.223
September	2.783	2.789	1.677	1.672	145.6	151.4	2.380	2.390	2.234	2.239

Fore. = November Forecast
C.E. = Current Expectations
* This item, and those beyond it, are projections

CONSUMPTION

	Personal Consumption		Durables		Nondurables		Services		Consumption Real	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
June 1982	1954.7	1954.7	237.8	237.8	758.9	758.9	958.0	958.0	951.0	951.0
July	1973.5	1974.1	236.9	236.8	767.8	767.9	968.9	969.4	954.1	954.1
August	1987.4	1981.5	237.6	236.6	770.7	767.7	979.1	977.3	957.2	954.4
September	2007.6	2003.2	247.3	247.6	774.0	769.5	986.3	986.0	963.9	960.4
October	2013.4	2009.4	240.8	239.1	778.3	772.5	994.3	997.7	959.7	957.1
November	2030.0	2032.8	245.3	257.0	782.4	774.9	1002.3	1000.8	965.3	966.2
December	2040.2	2036.3	243.5	252.5	786.2	777.3	1010.5	1006.5	968.3	963.3
January 1983	2057.0	2051.6	247.9	255.2	790.3	782.1	1018.8	1014.3	971.2	965.6
February	2073.1	2063.5	251.0	258.6	795.0	783.7	1027.1	1021.2	972.4	966.7
March	2088.3	2076.1	254.1	260.9	798.8	786.8	1035.4	1028.4	973.1	967.6
April	2104.4	2094.4	256.5	264.6	804.3	794.5	1043.6	1035.3	977.4	972.1
May	2116.4	2108.3	257.9	268.6	809.2	798.3	1049.3	1041.4	979.8	973.7
June	2128.2	2123.3	259.3	270.8	814.0	804.3	1054.9	1048.2	982.1	975.1
July	2142.4	2147.3	260.5	275.1	818.3	816.6	1063.6	1055.6	983.2	981.8
August	2156.5	2158.3	262.3	277.5	821.2	817.9	1073.0	1062.9	984.7	981.9
September	2171.4	2173.5	264.8	278.9	824.1	822.9	1082.5	1071.7	986.6	983.6

RETAIL SALES

	Retail Sales		Non-Auto Durables		Auto (Million Units)		Nondurable Sales		Auto Sales	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
June 1982	88.04	88.04	11.89	11.89	7.0	7.0	60.87	60.87	15.29	15.29
July	89.45	89.45	11.91	11.91	7.4	7.4	62.04	62.04	15.49	15.49
August	88.56	88.50	11.77	11.76	7.6	7.6	61.99	61.83	14.80	14.91
September	89.48	89.33	11.75	11.83	8.2	8.3	62.27	61.83	15.55	15.67
October	89.55	90.29	11.86	11.73	7.7	7.9	62.62	62.44	15.07	16.12
November	90.58	92.61	11.87	11.90	7.9	9.0	62.95	62.56	15.76	18.15
December	90.69	92.26	11.87	12.09	7.8	8.2	63.26	62.75	15.56	17.43
January 1983	91.91	92.98	11.93	12.18	8.2	8.4	63.59	63.14	16.39	17.66
February	92.63	93.50	12.01	12.22	8.3	8.6	63.96	63.27	16.66	18.01
March	93.30	94.02	12.06	12.30	8.5	8.7	64.27	63.52	16.97	18.20
April	94.01	95.07	12.12	12.38	8.6	8.9	64.71	64.14	17.18	18.55
May	94.57	95.85	12.07	12.47	8.7	9.1	65.11	64.45	17.39	18.93
June	95.21	96.58	12.13	12.55	8.8	9.2	65.49	64.93	17.59	19.10
July	95.70	98.07	12.21	12.63	8.8	9.4	65.84	65.92	17.65	19.52
August	96.33	98.46	12.35	12.71	8.9	9.5	66.07	66.03	17.91	19.72
September	96.86	99.03	12.44	12.80	9.0	9.5	66.31	66.43	18.11	19.80

Fore. = November Forecast
C.E. = Current Expectations

HOUSING

	Housing Starts		Single Family Starts		Housing Permits		Construction Expenditures (Current)		Construction Expenditures (Real)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
June 1982	0.908	0.908	0.621	0.621	0.929	0.929	230.2	231.6	146.0	150.1
July	1.195	1.193	0.625	0.628	1.062	1.062	228.8	227.6	147.2	146.8
August	1.002	1.033	0.622	0.645	0.886	0.888	230.2	228.1	148.7	147.4
September	1.146	1.129	0.663	0.677	1.038	1.003	229.8	228.1	148.1	147.1
October	1.122	1.129	0.679	0.705	1.181	1.172	230.9	229.1	148.2	147.0
November	1.090	1.428	0.705	0.872	1.065	1.243	233.1	237.2	148.9	149.8
December	1.086	1.299	0.732	0.826	1.072	1.167	235.8	237.2	150.0	148.7
January 1983	1.121	1.244	0.755	0.816	1.103	1.145	237.2	239.5	150.0	149.1
February	1.178	1.258	0.773	0.829	1.151	1.152	236.8	237.7	148.8	146.9
March	1.230	1.277	0.790	0.835	1.182	1.148	237.6	239.2	148.3	147.2
April	1.273	1.353	0.826	0.892	1.202	1.206	241.0	242.3	149.4	148.4
May	1.311	1.391	0.862	0.920	1.215	1.265	245.4	246.2	152.1	149.7
June	1.340	1.405	0.897	0.936	1.246	1.298	249.9	249.1	152.7	150.6
July	1.439	1.473	0.938	1.003	1.303	1.337	252.0	252.1	153.0	151.6
August	1.465	1.520	0.992	1.036	1.328	1.368	255.5	255.0	154.1	152.6
September	1.492	1.516	1.055	1.045	1.362	1.345	258.9	256.7	155.3	152.9

HOUSING CONTINUED

	Private Non-Residential		Public Construction		Residential Construction	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
June 1982	106.2	107.4	48.7	48.9	75.4	75.3
July	104.1	105.3	48.4	48.9	76.2	73.4
August	102.7	104.6	50.8	51.4	76.7	72.1
September	102.7	105.6	50.4	51.1	76.7	71.5
October	102.3	103.6	50.3	51.3	78.3	74.1
November	102.4	106.0	50.1	52.8	80.6	78.4
December	102.5	105.1	50.4	51.9	82.9	80.2
January 1983	102.6	105.1	50.7	52.1	83.9	82.3
February	102.2	104.6	51.3	51.2	83.3	81.9
March	102.4	105.3	51.7	51.1	83.5	82.8
April	102.2	105.5	52.5	52.7	86.3	84.1
May	102.1	105.9	52.8	53.4	90.5	86.9
June	102.2	106.0	53.1	53.8	94.6	89.3
July	102.0	106.3	53.3	54.2	96.7	91.6
August	102.1	106.2	53.8	54.6	99.6	94.2
September	102.2	106.5	54.2	55.1	102.5	95.1

Fore. = November Forecast
C.E. = Current Expectations

PRICES

	CPI-U (seasonally adjusted)		PPI Finished Goods (seasonally adjusted)		PPI-Industrial Commodities (unadjusted)		Estimated GNP Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
June 1982	289.7	289.7	279.7	279.7	310.2	310.6	2.0758	2.0758
July	291.4	291.4	281.3	281.2	312.9	312.8	2.0831	2.0810
August	292.3	292.2	283.0	283.0	313.4	313.4	2.0875	2.0848
September	292.9	292.7	282.7	282.6	312.7	312.9	2.0907	2.0895
October	293.0	294.1	284.0	283.9	315.0	314.4	2.1036	2.1062
November	293.4	294.4	286.0	285.7	314.7	315.1	2.1135	2.1131
December	293.8	294.7	287.3	286.0	314.9	315.7	2.1233	2.1239
January 1983	295.4	296.2	289.0	286.6	316.6	317.0	2.1341	2.1342
February	297.2	297.6	290.5	288.0	318.3	318.6	2.1420	2.1447
March	299.0	298.8	292.1	290.0	320.0	319.9	2.1502	2.1546
April	300.1	300.3	293.8	291.7	319.0	321.8	2.1613	2.1624
May	301.3	301.8	295.2	293.5	319.1	323.7	2.1721	2.1723
June	302.5	303.3	297.0	295.0	319.4	325.3	2.1830	2.1834
July	304.3	304.7	298.4	296.4	320.9	327.1	2.1914	2.1922
August	305.9	306.2	299.9	298.1	323.6	328.4	2.2008	2.2018
September	307.5	307.6	301.2	299.6	326.3	330.0	2.2103	2.2124

	Consumption Deflator		Consumer Durables		Consumer Nondurables		Consumer Services		Implicit Construction Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
June 1982	205.5	205.5	175.1	175.1	209.1	209.1	211.8	211.8	157.6	154.3
July	206.8	206.9	175.5	175.5	209.8	209.8	213.8	213.9	155.4	155.0
August	207.6	207.6	175.5	175.9	210.1	209.7	215.2	215.3	154.8	154.7
September	208.3	208.6	176.3	176.9	210.3	210.5	216.4	216.7	155.2	155.1
October	209.8	209.9	176.8	176.8	211.4	211.4	218.0	218.6	155.8	155.9
November	210.3	210.4	177.4	176.5	211.9	211.8	218.9	220.1	156.5	158.3
December	210.7	211.4	178.0	177.1	212.3	212.2	219.8	221.5	157.2	159.5
January 1983	211.8	212.5	178.5	178.0	213.2	212.9	220.9	223.0	158.1	160.6
February	213.2	213.5	179.1	178.9	214.4	213.6	222.4	224.3	159.1	161.8
March	214.6	214.6	179.7	179.8	215.5	214.5	224.0	225.7	160.2	162.5
April	215.3	215.5	180.3	180.3	216.2	215.4	225.1	226.8	161.3	163.3
May	216.0	216.5	181.0	181.2	216.9	216.3	226.1	228.2	162.5	164.5
June	216.7	217.8	181.7	182.2	217.6	217.2	227.1	229.8	163.7	165.4
July	217.9	218.7	182.3	183.3	218.5	218.0	228.7	230.9	164.7	166.3
August	219.0	219.8	182.7	184.1	219.2	218.9	230.1	232.3	165.8	167.1
September	220.1	221.0	183.1	185.0	219.9	219.5	231.5	234.0	166.7	167.9

Fore. = November Forecast
C.E. = Current Expectations

BUSINESS ACTIVITY

	Manufacturers Inventories		Durable Goods Orders		Non-Defense Capital Goods Orders		Non-Defense Capital Shipments	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
June 1982	275.1	275.1	74.55	74.55	19.28	19.28	22.91	22.91
July	274.9	274.9	76.45	76.45	20.32	20.32	22.48	22.48
August	274.3	274.3	72.98	72.98	18.89	18.89	21.78	21.78
September	274.0	272.5	72.93	73.27	19.79	20.27	22.11	22.27
October	273.1	271.7	75.11	69.60	20.52	20.18	21.93	21.37
November	273.5	269.3	76.08	70.57	21.43	20.21	21.85	21.51
December	273.9	269.5	75.95	71.65	21.40	20.46	22.06	21.45
January 1983	274.2	270.7	77.46	72.14	22.02	21.02	21.67	21.46
February	274.5	271.5	78.92	72.53	21.96	21.05	21.82	21.52
March	274.9	272.2	80.11	73.85	22.01	21.17	22.05	21.60
April	275.6	273.1	81.67	75.11	22.43	21.36	21.92	21.68
May	276.1	274.0	82.63	75.15	22.48	21.43	21.96	21.63
June	276.6	274.8	83.05	76.64	22.35	21.49	22.07	21.55
July	277.3	275.5	83.45	77.92	22.51	21.67	22.05	21.57
August	278.3	276.3	85.12	78.85	22.76	21.85	22.09	21.65
September	279.4	277.0	86.62	80.12	23.15	22.15	22.13	21.82

	Business Inventories		Defense Shipments		Industrial Production		Capacity Utilization	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
June 1982	512.8	513.0	4.82	4.82	138.5	138.7	69.9	70.0
July	513.4	513.9	4.80	4.80	138.7	138.8	69.9	70.0
August	515.6	514.6	4.65	4.65	138.1	138.4	69.4	69.8
September	513.0	515.4	4.82	4.86	137.3	137.3	68.9	69.2
October	512.2	514.2	4.95	4.93	136.5	135.8	68.4	68.1
November	511.5	508.6	5.03	4.93	136.0	134.8	68.0	67.4
December	510.6	509.3	5.10	5.01	135.8	134.7	67.9	67.2
January 1983	511.1	511.6	5.17	5.12	136.9	135.0	68.4	67.3
February	512.0	513.1	5.22	5.21	138.3	135.4	69.1	67.5
March	512.9	515.2	5.26	5.25	139.6	135.9	69.9	67.8
April	513.8	517.8	5.34	5.30	139.8	136.5	70.0	68.2
May	515.3	519.5	5.42	5.34	140.0	136.9	70.0	68.3
June	516.9	521.6	5.51	5.42	140.2	137.4	70.1	68.7
July	518.8	523.4	5.56	5.50	141.1	137.9	70.5	68.9
August	521.2	525.5	5.65	5.57	142.8	138.8	71.6	69.6
September	523.5	527.2	5.74	5.65	144.5	139.0	72.5	69.8

Fore. = November Forecast
C.E. = Current Expectations

MISCELLANEOUS

	Merchandise Trade Balance		Leading Indicators		Estimated GNP		Estimated GNP (1972 $)		IVA (annual rate)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
June 1982	-2488	-2488	128.1	128.4	3072	3072	1480	1480	15.9	15.9
July	-1532	-1532	129.8	130.0	3087	3087	1482	1483	14.0	14.0
August	-5996	-5996	129.2	129.3	3089	3084	1480	1479	12.2	10.5
September	-3257	-3257	130.5	130.3	3098	3094	1482	1481	11.9	7.9
October	-3943	-4398	131.5	130.7	3115	3098	1481	1471	8.3	6.9
November	-3165	-3244	131.1	131.7	3132	3103	1482	1469	6.5	18.9
December	-3965	-3505	132.3	133.5	3164	3130	1490	1474	8.0	11.4
January 1983	-4043	-3773	133.2	134.6	3183	3155	1491	1478	10.1	14.5
February	-4126	-3528	134.0	134.2	3205	3178	1496	1482	13.5	14.2
March	-3895	-3469	134.5	135.0	3233	3205	1504	1488	17.2	14.5
April	-3825	-3552	135.1	135.3	3251	3232	1504	1495	16.5	13.6
May	-3661	-3553	134.8	135.7	3273	3264	1507	1503	16.9	13.9
June	-3376	-3826	135.3	136.5	3295	3287	1509	1505	16.2	14.5
July	-3563	-2993	136.1	135.9	3323	3318	1516	1513	15.3	15.8
August	-4927	-4126	136.6	136.3	3351	3342	1523	1518	14.1	15.5
September	-5033	-3772	137.0	137.1	3379	3367	1529	1522	12.8	16.3

Fore. = November Forecat
C.E. = Current Expectations

FINANCIAL MARKETS

	Monetary Base		M1		M2		Federal Funds		T-Bills (6 Mos.)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
June 1982	178.1	177.9	451.4	451.4	1908.2	1908.2	14.15	14.15	12.31	12.31
July	178.0	178.0	451.3	451.3	1923.8	1923.8	12.59	12.59	11.88	11.88
August	179.3	179.3	455.2	455.2	1946.8	1946.8	10.12	10.12	9.88	9.88
September	180.1	179.9	460.5	460.5	1955.1	1955.0	10.31	10.31	9.37	9.37
October	180.9	181.0	466.4	468.4	1965.3	1968.2	9.71	9.71	8.29	8.29
November	181.9	181.7	468.9	474.9	1978.5	1987.4	8.85	9.20	7.93	8.34
December	183.2	183.5	469.3	478.5	1994.1	2008.1	7.93	8.95	7.24	8.16
January 1983	184.1	184.8	473.5	481.9	2009.6	2028.1	8.05	8.43	7.31	7.73
February	185.0	185.5	476.2	483.7	2024.3	2039.7	7.96	8.12	7.29	7.82
March	185.9	186.4	478.9	486.1	2040.2	2054.3	7.87	7.96	7.16	7.75
April	187.0	187.2	480.1	488.1	2053.5	2065.6	7.69	8.43	6.99	8.36
May	188.1	188.0	480.3	490.2	2062.1	2078.2	7.55	8.93	6.92	8.62
June	189.2	188.9	480.3	492.6	2070.6	2086.3	7.78	9.15	7.01	8.88
July	190.1	190.0	483.2	495.4	2089.3	2103.1	8.23	9.05	7.43	9.02
August	191.1	191.0	486.6	498.1	2105.0	2122.1	8.74	9.21	7.82	9.15
September	192.2	192.1	489.9	500.9	2121.0	2142.9	9.26	9.37	8.23	9.12

	Aaa (Seasoned)		Municipals (Bond Buyer)		Commercial Paper		90 Day CD's		Prime Rate	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
June 1982	14.81	14.81	12.45	12.45	13.96	13.96	14.46	14.46	16.50	16.50
July	14.61	14.61	12.28	12.28	12.94	12.94	13.44	13.44	16.26	16.26
August	13.71	13.71	11.23	11.23	10.15	10.15	10.61	10.61	14.39	14.39
September	12.94	12.94	10.66	10.66	10.36	10.36	10.66	10.66	13.50	13.50
October	12.12	12.12	9.69	9.69	9.20	9.20	9.51	9.51	12.52	12.52
November	11.73	11.68	9.75	10.07	8.53	8.69	8.86	8.95	11.73	11.85
December	11.52	11.83	9.62	9.96	7.79	8.51	8.12	8.66	11.03	11.50
January 1983	11.41	11.76	9.58	9.55	7.58	8.27	7.96	8.45	11.00	11.26
February	11.50	11.62	9.66	9.44	7.49	8.02	7.83	8.14	10.89	11.00
March	11.39	11.35	9.59	9.27	7.50	7.76	7.82	7.99	10.63	11.00
April	11.11	11.47	9.39	9.35	7.53	8.27	7.85	8.45	10.50	11.00
May	10.90	11.63	9.21	9.61	7.62	8.96	7.89	9.15	10.50	11.39
June	10.89	11.69	9.21	9.66	7.79	9.23	8.02	9.53	10.50	11.76
July	11.15	11.75	9.43	9.70	7.93	9.20	8.16	9.41	10.67	12.00
August	11.33	11.68	9.54	9.67	8.26	9.32	8.53	9.53	10.93	12.00
September	11.46	11.65	9.63	9.65	8.69	9.45	9.02	9.67	11.36	12.17

Fore. = November Forecast
C.E. = Current Expectations

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Georgia State University

university plaza
atlanta, georgia 30303

college of business administration
economic forecasting project
404/658-3282

MONTHLY PROJECTIONS
FOR JANUARY
Issued March 28, 1983

FED PREVENTING SHORT-TERM INTEREST RATE BLIP

Although the economic recovery has slowed in February following unusually favorable weather conditions in January, most of the forces necessary to generate recovery remain in place. First, desired inventories appear to be consistent with current activity in many manufacturing industries. As a result, production must be increased in order to forestall further inventory liquidations. While the metals and automobile industries already appear to have begun accumulations, many other industries, including building materials, must continue increasing production through the second quarter to reach desired inventory holdings. Indeed, some industries must raise production through the summer months. Second, housing activity is stronger than expected. To be sure, weather factors accounted for much of the strength in January, but housing remained strong in February when weather factors became less important. While housing will show some slowing in the spring from these unusually brisk seasonally adjusted winter rates, they will continue to contribute positively to economic activity for the remainder of this year. In addition, strong gains are now expected in non-automobile durables to reflect the need for household furnishings and furniture as new housing becomes available.

The missing ingredient is the consumer. Although February retail sales after adjustment for declining commodity prices were not as bleak as the preliminary 0.4% decline would have indicated (commodity inflation appears to have declined about 0.3% in that month), strong consumer gains clearly have not yet surfaced. Economic conditions are becoming favorable for such action, however. First, as tax returns for 1982 are filed, about 11 billion will be returned for those opening IRA or supplementing Keogh programs. Another $7 billion will result because of overwithholding for those earning $35,000 and more. Other overwithholding probably occurred because of employment interruptions during 1982. As a result, personal tax payments will actually be declining between March and May and will fall further in July. Second, although wages are slowing sharply, the hourly earnings index continues to grow more rapidly than consumer inflation. In the last year, the hourly earnings index increased 5.4% as compared with a gain of 3.8% for consumer prices. As hours worked per employee also will advance, this figure probably understates the degree of improving real purchasing power being generated for the average wage earner. Third, our estimates show that payroll employment will again expand in March, following a statistically distorted report in February. When all these factors are put together, significant gains in consumer activity should begin to develop. For example, our projection show that consumer spending after adjustment for infla-

tion will grow nearly 5% at annual rates during the second quarter after marking time for the last five months.

Normally, a change from inventory liquidations to inventory accumulations leads to rising bank borrowings and increases in sensitive short-term interest rates. While bank loans clearly fell in the fourth quarter during the maximum period of inventory liquidations, they leveled off in the winter months. They now appear to be growing at about a 6% annual rate and should accelerate slightly in the months ahead.

However, the Federal Reserve appears unwilling to permit a slight upward blip in short-term interest rates. Of course, such ceilings upon interest rates must lead to other types of market distortions. The effect has been rapid growth in M1 and M2. Of course, new monetary instruments have been influential in altering the growth of those instruments. For example, a Federal Reserve study shows that 20% of all funds going to money market deposits were not previously counted in M2. About 25% of the super NOW account balances appear to be coming from funds that previously were not counted in M1. If these balance distortions are eliminated from the appropriate M's, money growth would only be in high single-digits. Of couse, such studies grossly overstate the distortions created by such monetary balances. Presumably, only the assets flowing from non-money sources that otherwise would not be flowing to money balances can be considered as being attracted by the existence of new instruments. If the demand for money increases, causing flows from non-money sources, then that increase in money balances must be considered as part of normal money expansion. Thus, the Federal Reserve study, which assumes that all non-money balances would otherwise remain non-money balances if the new instruments were not created, understates the magnitude of money growth. During such periods of money confusion, a reversion toward more standard measures, such as M3, the monetary base, or currency could give a truer picture of the movements of monetary aggregates. Unfortunately, all those measures currently are growing rapidly.

What do the current constraints upon short-term interest rates do to future economic conditions? Of course, rapid money growth ultimately could lead to increasing inflationary fears. The interest rates not directly affected by those portfolio decisions will rise more abruptly than they otherwise would if short-term interest rates were permitted to fluctuate appropriately. In other words, the yield curve should steepen.

Of course, sensitive short-term interest rates should remain near the Federal Reserve ceiling (slightly under 9% for federal funds) until economic forces no longer demand an increase in short-term rates. That will not be accomplished until money growth substantially slows. Our estimates currently suggest that such a slowing may begin as early as May, although slippage by another few months before significant money slowing develops cannot be ruled out. As a result, interest rates will remain close to current levels throughout the summer. Only in the latter part of the year will credit market pressures permit interest rates below those ceiling rates currently being enforced by Federal Reserve policy. In the meantime, an enormous degree of interest rate stability should develop in all markets. Some analysts have argued that the reduced volatility in those markets should lead to reduced risk premiums. If so, a rally on long-term markets might ensue. However, such a rally would be at odds with the tendency of this policy to generate a steeper yield curve.

The economic recovery itself is not in jeopardy. Activity probably will slow late in 1983 and early in 1984 as the inventory rebound is finished and as

housing plateaus after its dramatic surge late in 1982 and early in 1983. Indeed, 1984 may generate an economic pause similar to that which occurred in 1976. For that reason, the administration may not be as fortunate in its economic environment during the upcoming elections as some analysts currently expect.

Quarterly Profile of GNP

	1982-IV	1983-I	1983-II	1983-III	1983-IV
Real	-1.1	4.6	5.3	4.8	3.9
Price	3.7	2.4	3.8	5.1	5.2
Nominal	2.6	7.1	9.3	10.1	9.3

Monthly Statistical Highlights
for March 1983

Payroll employment, +211,000; index of hours worked, +1.2%; household employment, +113,000; unemployment rate, 10.4; personal income, +1.0%; savings rate, 6.3%; personal consumption, +0.5%; retail sales, +0.4%; auto sales, 8.2 million units; housing starts, -12.3%; housing permits, -5.2%; construction expenditures, +0.8%; business inventories, +0.2%; orders for durable goods, +3.1%; orders for nondefense capital goods, +3.6%; industrial production, +0.4%; CPI, -0.1%; PPI, -0.3%; consumption deflator, +0.1%; leading indicators, +0.4%; M1, +12.4%; M2, +8.7%.

Monthly Statistical Highlights
for April 1983

Payroll employment, +119,000; index of hours worked, +0.2%; household employment, +251,000; unemployment rate, 10.3%; personal income, +0.6%; savings rate, 6.2%; personal consumption, +0.9%; retail sales, +1.2%; auto sales, 8.4 million units; housing starts, +1.0%; housing permits, +0.8%; consturction expenditures, +1.8%; business inventories, +0.4%; orders for durable goods, +0.6%; orders for nondefense capital goods, +4.0%; industrial production, +0.3%; CPI, +0.5%; PPI, +0.2%; consumption deflator, +0.4%; leading indicators, -0.3%; M1,+8.6%; M2,+8.5%.

COMMENTARY

Employment

Payroll employment clearly was impacted by a blizzard and wet weather during the February survey week. This factor was especially dramatic in reducing the index of hours worked. However, retail employment and construction employment also appear to have been affected. While weather conditions do not normally affect household employment, there is some evidence that the weather conditions were responsible for the 40,000 decline in that measure. There is also some evidence that the unemployment rate usually is biased downward as a result of

weather restraining forces. Normally, the umeployment rate would tend to rise following such a weather aberration. However, employment appears to be growing sufficiently to prevent any substantial increase in unemployment rates. Currently insured unemployment rates suggest that a significant expansion in payroll employment is occurring in March. This has been reflected in our projections.

The hourly earnings index remains very well behaved. Increases in the last three months have been at an annual rate of only 5.7%. The index is 5.4% above previous year levels. Further moderation is expected into the summer months, as the service industries begin to experience reduced wage gains in line with the reduced inflationary pressures.

Personal Income and Outlays

The weather disruptions clearly had an adverse effect upon wage and salary earnings in February. In addition, farm income has slowed following crop payments at the end of 1982. With unemployment claims also coming down and interest income also continuing to decline, personal income showed little growth in the first two months of 1983. It is instructive, however, that non-farm proprietors' income grew at a surprisingly robust 20% annual rate during the first two months. If this increase foreshadowes gains in corporate profitability, as it sometimes does, then the first quarter should be an unsually robust period of profit gains. Our current estimate is that after-tax corporate profits increased more than 9% from fourth quarter levels.

Tax payments do not yet reflect substantial refunds because of the over-withholding that occurred in 1982. These refunds, or reduced tax payments, should be reflected in changes of disposable income in March through May.

Purchases of automobiles remain sluggish and are expected to only gradually increase in the months ahead. Much of the non-auto weakness in retail activity appears to be related to reduced prices for foodstuffs and gasoline. Thus, the retail sales declines of the last two months are not as alarming as they otherwise would have been. Indeed, inflation adjusted consumption expenditures increased in January and February from prior months, a reversal of the apparent direction indicated by retail sales. Gains in non-auto durables have been especially robust. Gains are expected to continue at these accelerated rates through much of 1983.

Housing and Construction

Weather clearly was a dominant factor in the robust housing activity during the winter months. However, substantial increases in multi-family units bolstered housing in February when weather conditions were not quite as favorable as in January. As a result, we have significantly increased our estimates of multi-family activity during 1983. This has led to an upward revision in housing estimates. Our projections clearly suggest that housing starts will exceed 1.6 million units in 1983. Certainly, permits are now growing at such a rate that starts should not fall dramatically from their weather distorted rates in January and February. (Housing permits appear to be unaffected by weather except for in the multi-family units. There, permits and activity appear to nearly coincide.)

Construction expenditures also have been significantly biased upward as a result of the weather related factors. This appears to be especially true for private non-residential and public construction. Residential construction, however, continues to respond to increased housing activity. As a result, construction will be a major contributor to economic activity during the first and second quarters. It will become a smaller factor in the latter half of 1983, during which period public and private non-residential construction will show little growth. This is true even with the increased highway and public works activities contained in the legislation authorizing a 5 cent gasoline tax and the employment bill.

Business Activity

Orders for nondefense capital goods showed surprising weakness in February. As a result, capital expenditures appear to be trending downward for the first half of 1983. An upward trend should develop in the latter part of the year. Nevertheless, no significant gains in capital spending appear to be likely during this year.

Inventory holdings appear to have begun rising in February. Nevertheless, declines were so sharp through January, that the quarter will still show significant inventory liquidations. In the second quarter, however, inventory accumulations should develop. Accumulations may be even more significant during the third quarter, before slowing in the latter part of this year. To a large extent, the early profile of economic recovery corresponds closely with changes in inventory investments.

Prices

The OPEC price reduction to $29 per barrel was the end of a trend of adjusting petroleum product prices. First, gasoline and fuel oil prices began falling in the winter. Then, the refiners decided they could not afford buying oil inventory and used their accumulated stockpiles instead. The reduced demand for crude petroleum finally led to a downward adjustment in OPEC prices. Our own analysis would suggest that the market clearing price for oil currently is about $25. However, liberal contract arrangements might permit the $29 benchmark to remain intact, even though spot prices of oil should fall close to that $25 mark. While this will permit further price reductions in the next few months, most of the oil price decline already has occurred.

Moreover, excise taxes will significantly increase the consumption deflator and the CPI in April. On the other hand, it might actually lower the Producer Price Index in that month. Because prices in the producer index reflect what is received by producers, an excise tax that is not fully passed on to the consumer will actually lower the producer's earnings. As a result, the Producer Price Index could fall. At any rate, a dramatic discrepancy between the Producer Price Index and the Consumer Price Index will develop in April because of the 5 cent gasoline excise tax.

Financial Markets

The financial markets currently are reflecting stability generated by the Federal Reserve's concern about increasing interest rates. Interest rates

naturally should have increased, but the Federal Reserve's willingness to supply sufficient reserves to preserve federal funds rates consistent with their 8.5% discount rate has prevented the natural upward blip. Instead, monetary aggregates have grown stronger. A continuation of this Federal Reserve policy could lead to a slight upward movement in long-term rates during the spring, but should result in highly predictable and stable short-term rates through the summer months. As this normal cyclical pressure for rising interest rates will diminish in the fall, when inventory investments no longer will be adding to GNP, some modest declines in interest rates are possible late in the year.

Stock Market

Corporate earnings appear to be rising more rapidly than had been expected. Because inventory valuation is not increasing sharply (indeed, it is falling in some industries), after-tax operating profits are growing more than 10% in the first quarter and may expand by 25% during the year. While interest rates remain stable, this profit growth should dominate stock market movements. Although some modest correction certainly would be warranted after such a significant expansion in equity values, our formulas suggest that a reasonable Dow Jones objective for 1983 is 1300. While interest rate factors could lead to a high for equity values near the end of the year, the slowing in profit growth will begin in the second half of 1983. For that reason, it appears that equity values may peak late in the summer or early in the fall but trade near its peak at the end of the year.

3/38/83

EMPLOYMENT

	Payroll Employment		Index of Hours Worked		Household Civilian Employment		Civilian Unemployment Rate		Hourly Earnings Index	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
September 1982	89045	89267	104.2	103.9	99720	99543	10.2	10.2	150.1	150.1
October	88862	88877	104.0	102.8	99436	99176	10.5	10.5	150.5	150.8
November	88793	88750	103.7	102.6	99345	99136	10.7	10.7	150.9	151.2
December	88799	88565	103.7	102.8	99392	99093	10.8	10.8	151.4	152.1
January 1983	88862	88895	103.9	104.2	99226	99103	10.8	10.4	152.1	152.7
February	88995	88715	104.0	101.8	99358	99063	10.8	10.4	152.8	152.9
March	89137	88926*	104.2	103.0*	99383	99176*	10.7	10.4*	153.6	153.5*
April	89206	89045	104.3	103.2	99624	99427	10.6	10.3	154.3	154.2
May	89257	89216	104.4	103.6	99805	99627	10.6	10.3	155.1	154.9
June	89338	89403	104.5	103.9	99976	99849	10.5	10.2	155.8	155.5
July	89507	89605	104.7	104.2	100099	100097	10.5	10.2	156.5	156.2
August	89645	89763	104.9	104.5	100235	100296	10.4	10.2	157.2	156.9
September	89822	89926	105.2	104.7	100378	100485	10.4	10.2	157.9	157.5
October	89896	90034	105.4	104.9	100629	100672	10.4	10.1	158.6	158.1
November	89941	90176	105.7	105.1	100834	100800	10.3	10.1	159.4	158.9
December	90005	90342	105.9	105.3	101016	101053	10.3	10.0	160.3	159.6

PERSONAL INCOME

	Personal Income		Wage & Salary		Personal Savings		Disposable Income		Personal Outlays	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
September 1982	2.605	2.597	1.569	1.570	140.4	139.5	2.208	2.203	2.067	2.063
October	2.620	2.609	1.577	1.572	146.7	136.6	2.220	2.212	2.073	2.075
November	2.633	2.628	1.583	1.572	140.5	132.9	2.231	2.229	2.091	2.096
December	2.641	2.635	1.590	1.580	134.9	130.8	2.236	2.232	2.101	2.102
January 1983	2.651	2.640	1.600	1.596	131.0	125.0	2.249	2.240	2.118	2.115
February	2.665	2.643	1.608	1.594	126.8	124.5	2.261	2.240	2.134	2.116
March	2.679	2.670*	1.617	1.615*	123.6	143.6*	2.273	2.270*	2.149	2.126*
April	2.696	2.685	1.626	1.624	123.1	141.4	2.289	2.287	2.166	2.146
May	2.711	2.704	1.636	1.636	123.9	139.2	2.302	2.302	2.178	2.163
June	2.727	2.721	1.646	1.646	125.9	137.4	2.316	2.315	2.190	2.178
July	2.742	2.740	1.655	1.657	142.5	152.4	2.347	2.348	2.205	2.196
August	2.762	2.758	1.666	1.668	144.1	150.7	2.363	2.362	2.219	2.211
September	2.783	2.774	1.677	1.676	145.6	145.6	2.380	2.371	2.234	2.225
October	2.801	2.791	1.689	1.685	143.9	146.0	2.394	2.384	2.250	2.238
November	2.816	2.808	1.696	1.695	137.1	143.0	2.405	2.399	2.268	2.256
December	2.831	2.826	1.703	1.705	131.8	138.1	2.416	2.412	2.284	2.274

Fore. = November Forecast
C.E. = Current Expectations
* This item, and those beyond it, are projections

CONSUMPTION

	Personal Consumption		Durables		Nondurables		Services		Consumption Real	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
September 1982	2007.6	2003.2	247.3	247.6	774.0	769.5	986.3	986.0	963.9	960.4
October	2013.4	2015.5	240.8	240.7	778.3	777.2	997.6	997.6	959.7	960.0
November	2030.0	2035.9	245.3	255.6	782.4	773.9	1002.3	1006.4	965.3	969.3
December	2040.2	2041.1	243.5	259.1	786.2	776.1	1010.5	1006.0	968.3	971.6
January 1983	2057.0	2053.5	247.9	258.5	790.3	778.4	1018.8	1016.5	971.2	974.2
February	2073.1	2054.2	251.0	256.4	795.0	776.4	1027.1	1021.3	972.4	974.4*
March	2088.3	2064.7*	254.1	258.8*	798.8	777.0*	1035.4	1028.9*	973.1	978.7
April	2104.4	2083.9	256.5	263.7	804.3	783.8	1043.6	1036.4	977.4	983.3
May	2116.4	2100.4	257.9	267.9	809.2	788.6	1049.3	1043.9	979.8	988.4
June	2128.2	2114.9	259.3	269.6	814.0	792.7	1054.9	1052.6	982.1	990.9
July	2142.4	2132.5	260.5	274.4	818.3	797.3	1063.6	1060.8	983.2	995.1
August	2156.5	2147.8	262.3	274.6	821.2	803.7	1073.0	1069.5	984.7	997.4
September	2171.4	2161.4	264.8	276.6	824.1	807.2	1082.5	1077.6	986.6	999.1
October	2187.1	2173.1	267.9	278.3	829.5	809.6	1089.7	1085.2	990.7	1000.5
November	2202.4	2190.5	271.3	283.8	834.6	813.7	1096.5	1093.0	993.4	1004.4
December	2218.2	2206.8	274.8	287.1	839.9	819.1	1103.5	1100.6	996.3	1008.0

RETAIL SALES

	Retail Sales		Non-Auto Durables		Auto (Million Units)		Nondurable Sales		Auto Sales	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
September 1982	89.48	89.33	11.75	11.83	8.2	8.3	62.27	61.83	15.55	15.67
October	89.55	90.29	11.86	11.73	7.7	7.9	62.62	62.44	15.07	16.12
November	90.58	92.55	11.87	11.99	7.9	9.4	62.95	62.73	15.76	18.18
December	90.69	91.52	11.87	12.36	7.8	8.7	63.26	62.15	15.56	17.01
January 1983	91.91	91.03	11.93	12.56	8.2	8.1	63.59	62.09	16.39	16.38
February	92.63	90.66	12.01	12.70	8.3	8.1	63.96	61.97	16.66	15.99
March	93.30	90.98*	12.06	12.82*	8.5	8.2*	64.27	62.02*	16.97	16.14*
April	94.01	92.07	12.12	12.96	8.6	8.4	64.71	62.56	17.18	16.55
May	94.57	92.92	12.07	13.05	8.7	8.6	65.11	62.94	17.39	16.93
June	95.21	93.44	12.13	13.09	8.8	8.7	65.49	63.27	17.59	17.08
July	95.70	94.35	12.21	13.25	8.8	8.9	65.84	63.64	17.65	17.46
August	96.33	94.88	12.35	13.20	8.9	8.9	66.07	64.15	17.91	17.53
September	96.86	95.38	12.44	13.26	9.0	9.0	66.31	64.43	18.11	17.69
October	97.66	95.76	12.46	13.30	9.3	9.1	66.75	64.62	18.45	17.84
November	98.46	96.71	12.54	13.44	9.5	9.3	67.16	64.95	18.76	18.32
December	99.28	97.51	12.56	13.57	9.8	9.4	67.58	65.38	19.14	18.56

Fore. = November Forecast
C.E. = Current Expectations

CONSTRUCTION

	Housing Starts		Single Family Starts		Housing Permits		Construction Expenditures (Current)		Construction Expenditures (Real)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
September 1982	1.146	1.134	0.663	0.683	1.038	1.003	229.8	228.1	148.1	147.1
October	1.122	1.142	0.679	0.716	1.181	1.171	230.9	229.1	148.2	146.9
November	1.090	1.361	0.705	0.868	1.065	1.192	233.1	237.2	148.9	148.9
December	1.086	1.280	0.732	0.842	1.072	1.035	235.8	234.7	150.0	146.0
January 1983	1.121	1.707	0.755	1.136	1.103	1.478	237.2	255.5	150.0	156.0
February	1.178	1.756*	0.773	1.040*	1.151	1.493*	236.8	258.2*	148.8	156.1*
March	1.230	1.540	0.790	0.965	1.182	1.415	237.6	260.2	148.3	155.8
April	1.273	1.555	0.826	0.993	1.202	1.426	241.0	264.9	149.4	157.8
May	1.311	1.557	0.862	1.009	1.215	1.374	245.4	268.4	152.1	159.2
June	1.340	1.590	0.897	1.046	1.246	1.366	249.9	271.0	152.7	160.1
July	1.439	1.629	0.938	1.103	1.303	1.392	252.0	272.2	153.0	160.1
August	1.465	1.634	0.992	1.146	1.328	1.437	255.5	276.5	154.1	162.1
September	1.492	1.621	1.055	1.085	1.362	1.422	258.9	279.6	155.3	163.1
October	1.496	1.617	1.043	1.095	1.365	1.397	261.7	282.9	156.4	164.2
November	1.505	1.661	1.057	1.141	1.382	1.468	264.7	285.7	157.7	164.9
December	1.511	1.586	1.065	1.096	1.395	1.416	267.0	288.0	158.6	165.0

CONSTRUCTION CONTINUED

	Private Non-Residential		Public Construction		Residential Construction	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
September1982	102.7	105.6	50.4	51.1	76.7	71.5
October	102.3	103.6	50.3	51.1	78.3	74.1
November	102.4	104.9	50.1	52.0	80.6	78.9
December	102.5	103.6	50.4	47.7	82.9	83.3
January 1983	102.6	109.8	50.7	55.3	83.9	90.4
February	102.2	107.7*	51.3	53.6*	83.3	96.9*
March	102.4	105.6	51.7	52.5	83.5	102.1
April	102.2	105.5	52.5	52.9	86.3	106.5
May	102.1	105.2	52.8	53.5	90.5	109.7
June	102.2	105.6	53.1	54.2	94.6	111.2
July	102.0	105.1	53.3	54.6	96.7	112.5
August	102.1	105.7	53.8	55.3	99.6	115.5
September	102.2	106.0	54.2	55.7	102.5	117.9
October	102.9	106.2	54.7	56.2	104.1	120.5
November	103.5	107.0	55.2	56.7	106.0	122.0
December	104.4	107.7	55.6	57.1	107.0	123.2

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PRICES

	CPI-U (seasonally adjusted)		PPI Finished Goods (seasonally adjusted)		PPI-Industrial Commodities (unadjusted)		Estimated GNP Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
September 1982	292.9	292.7	282.7	282.6	312.7	312.7	2.0907	2.0895
October	293.0	294.1	284.0	283.9	315.0	314.3	2.1036	2.1012
November	293.4	294.3	286.0	285.7	314.7	315.1	2.1135	2.1050
December	293.8	293.5	287.3	285.9	314.9	315.0	2.1233	2.1064
January 1983	295.4	294.1	289.0	283.0	316.6	314.0	2.1341	2.1113
February	297.2	293.5	290.5	283.4	318.3	314.4	2.1420	2.1161
March	299.0	293.3*	292.1	282.6*	320.0	314.1*	2.1502	2.1200
April	300.1	294.7	293.8	283.3	319.0	314.5	2.1613	2.1294
May	301.3	295.6	295.2	284.0	319.1	315.0	2.1721	2.1354
June	302.5	296.8	297.0	284.7	319.4	315.5	2.1830	2.1445
July	304.3	298.1	298.4	285.1	320.9	316.1	2.1914	2.1535
August	305.9	299.5	299.9	285.6	323.6	316.5	2.2008	2.1630
September	307.5	300.9	301.2	286.1	326.3	317.0	2.2103	2.1728
October	308.6	302.2	302.6	286.5	329.5	318.9	2.2205	2.1815
November	309.9	303.5	304.0	287.3	330.2	319.5	2.2317	2.1908
December	311.0	304.8	305.3	288.1	331.0	320.2	2.2415	2.2003

	Consumption Deflator		Consumer Durables		Consumer Nondurables		Consumer Services		Implicit Construction Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
September 1982	208.3	208.6	176.3	176.9	210.3	210.5	216.4	216.7	155.2	155.1
October	209.8	210.0	176.8	176.6	211.4	211.5	218.0	218.7	155.8	155.8
November	210.3	210.0	177.4	175.7	211.9	211.2	218.9	220.0	156.5	158.4
December	210.7	210.1	178.0	176.6	212.3	210.4	219.8	220.6	157.2	160.7
January 1983	211.8	210.8	178.5	176.9	213.2	210.3	220.9	222.0	158.1	163.8
February	213.2	210.8*	179.1	177.3*	214.4	209.5*	222.4	222.4*	159.1	165.4*
March	214.6	211.0	179.7	177.6	215.5	209.0	224.0	223.1	160.2	167.0
April	215.3	211.9	180.3	178.1	216.2	210.4	225.1	224.0	161.3	167.9
May	216.0	212.5	181.0	178.6	216.9	210.7	226.1	224.9	162.5	168.6
June	216.7	213.4	181.7	179.3	217.6	211.3	227.1	226.2	163.7	169.3
July	217.9	214.3	182.3	180.1	218.5	211.8	228.7	227.5	164.7	170.0
August	219.0	215.3	182.7	180.9	219.2	212.4	230.1	228.9	165.8	170.6
September	220.1	216.3	183.1	181.5	219.9	213.0	231.5	230.4	166.7	171.4
October	220.8	217.2	183.0	181.9	220.5	213.4	232.8	231.8	167.3	172.3
November	221.7	218.1	183.2	182.5	221.4	214.0	234.1	233.2	167.8	173.3
December	222.6	218.9	183.5	182.9	222.3	214.6	235.5	234.5	168.4	174.5

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BUSINESS ACTIVITY

	Manufacturers Inventories		Durable Goods Orders		Non-Defense Capital Goods Orders		Non-Defense Capital Shipments	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
September1982	274.0	272.5	72.93	73.27	19.79	20.27	22.11	22.27
October	273.1	271.7	75.11	69.60	20.52	20.18	21.93	21.37
November	273.5	269.3	76.08	70.61	21.43	20.17	21.85	21.44
December	273.9	265.1	75.95	76.59	21.40	20.15	22.06	21.95
January 1983	274.2	262.6	77.46	80.92	22.02	20.46	21.67	21.21
February	274.5	262.6*	78.92	77.70	21.96	18.97	21.82	21.14
March	274.9	262.7	80.11	80.12*	22.01	19.65*	22.05	20.97*
April	275.6	264.3	81.67	80.62	22.43	20.43	21.92	20.86
May	276.1	265.0	82.63	81.94	22.48	20.96	21.96	20.95
June	276.6	265.8	83.05	83.54	22.35	21.43	22.07	21.20
July	277.3	266.7	83.45	83.06	22.51	21.09	22.05	21.26
August	278.3	268.5	85.12	83.39	22.76	21.17	22.09	21.30
September	279.4	270.1	86.62	84.63	23.15	21.46	22.13	21.39
October	281.2	271.3	87.43	86.97	23.56	22.05	22.29	21.51
November	283.5	272.6	87.01	88.43	23.52	22.48	22.45	21.69
December	285.3	274.3	89.16	90.12	23.75	22.93	22.61	21.83

	Business Inventories		Defense Shipments		Industrial Production		Capacity Utilization	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
September 1982	513.0	515.4	4.82	4.86	137.3	137.3	68.9	69.2
October	512.2	514.2	4.95	4.93	136.5	135.7	68.4	68.0
November	511.5	508.6	5.03	4.95	136.0	134.9	68.0	67.4
December	510.6	505.6	5.10	5.10	135.8	135.2	67.9	67.5
January 1983	511.1	501.1	5.17	5.04	136.9	136.9	68.4	68.3
February	512.0	501.5*	5.22	5.03	138.3	137.3	69.1	68.5
March	512.9	502.7	5.26	5.12*	139.6	137.8*	69.9	68.8*
April	513.8	504.6	5.34	5.19	139.8	138.2	70.0	69.1
May	515.3	506.4	5.42	5.32	140.0	138.7	70.0	69.4
June	516.9	508.2	5.51	5.38	140.2	139.1	70.1	69.6
July	518.8	510.1	5.56	5.47	141.1	139.5	70.5	69.9
August	521.2	513.7	5.65	5.60	142.8	139.9	71.6	70.2
September	523.5	516.5	5.74	5.73	144.5	140.2	72.5	70.4
October	526.9	519.3	5.85	5.80	145.1	140.5	72.7	70.6
November	532.0	522.0	5.98	5.82	145.9	140.8	73.0	70.8
December	535.6	525.3	6.15	6.01	146.4	141.1	73.2	71.0

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MISCELLANEOUS

	Merchandise Trade Balance		Leading Indicators		Estimated GNP		Estimated GNP (1972 $)		IVA (annual rate)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
September 1982	-3257	-4274	130.5	139.6	3098	3094	1482	1481	11.9	7.9
October	-3943	-5273	131.5	140.1	3115	3096	1481	1473	8.3	6.9
November	-3165	-4271	131.1	141.2	3132	3101	1482	1473	6.5	18.9
December	-3965	-3203	132.3	141.2	3164	3128	1490	1485	8.0	13.8
January 1983	-4043	-2955	133.2	146.3*	3183	3150	1491	1491	10.1	10.5
February	-4126	-2716*	134.0	147.9	3205	3161	1496	1494	13.5	9.2
March	-3895	-2423	134.5	148.5	3233	3174	1504	1497	17.2	10.7
April	-3825	-2563	135.1	148.0	3251	3205	1504	1505	16.5	12.6
May	-3561	-2842	134.8	148.3	3273	3234	1507	1514	16.9	13.5
June	-3376	-3163	135.3	149.2	3295	3260	1509	1520	16.2	13.8
July	-3563	-3025	136.1	149.6	3323	3286	1516	1526	15.3	15.6
August	-4927	-2646	136.6	149.0	3351	3313	1523	1532	14.1	16.7
September	-5033	-2962	137.0	148.5	3379	3337	1529	1536	12.8	16.5
October	-2786	-2543	137.3	148.7	3396	3359	1529	1540	15.1	18.5
November	-3441	-3063	137.9	149.3	3429	3386	1536	1546	18.3	18.9
December	-4022	-2945	138.4	150.5	3447	3415	1538	1552	20.8	20.3

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FINANCIAL MARKETS

	Monetary Base		M1		M2		Federal Funds		T-Bills (6 Mos.)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
September 1982	180.1	180.0	460.5	463.2	1955.1	1917.0	10.31	10.31	9.37	9.37
October	180.9	181.1	466.4	468.7	1965.3	1929.7	9.71	9.71	8.29	8.29
November	181.9	182.4	468.9	474.0	1978.5	1945.0	8.85	9.20	7.93	8.34
December	183.2	183.5	469.3	478.2	1994.1	1959.2	7.93	8.95	7.24	8.16
January 1983	184.1	185.0	473.5	482.1	2009.6	2007.9	8.05	8.68	7.31	7.93
February	185.0	187.4	476.2	490.8	2024.3	2047.5	7.96	8.51	7.29	8.23
March	185.9	190.1*	478.9	495.6*	2040.2	2061.8*	7.87	8.63*	7.16	8.29*
April	187.0	190.8	480.1	499.0	2053.5	2075.9	7.69	8.82	6.99	8.53
May	188.1	191.6	480.3	499.1	2062.1	2086.1	7.55	8.95	6.92	8.71
June	189.2	192.5	480.3	500.9	2070.6	2096.8	7.78	8.93	7.01	8.65
July	190.1	193.3	483.2	502.6	2089.3	2106.1	8.23	8.76	7.43	8.42
August	191.1	194.0	486.6	504.4	2105.0	2116.9	8.74	8.79	7.82	8.45
September	192.2	194.7	489.9	506.6	2121.0	2129.5	9.26	8.42	8.23	8.26
October	193.7	195.5	491.6	508.3	2143.6	2138.9	9.44	8.11	8.29	7.85
November	194.6	196.3	495.3	510.0	2165.2	2149.5	9.65	7.93	8.52	7.62
December	195.6	197.1	498.6	512.5	2183.5	2164.6	9.81	7.78	8.93	7.31

	Aaa (Seasoned)		Municipals (Bond Buyer)		(6 Month) Commercial Paper		90 Day CD's		Prime Rate	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
September 1982	12.94	12.94	10.66	10.66	10.36	10.36	10.66	10.66	13.50	13.50
October	12.12	12.12	9.69	9.69	9.20	9.20	9.51	9.51	12.52	12.52
November	11.73	11.68	9.75	10.07	8.53	8.69	8.86	8.95	11.73	11.85
December	11.52	11.83	9.62	9.96	7.79	8.50	8.12	8.80	11.03	11.50
January 1983	11.41	11.79	9.58	9.50	7.58	8.15	7.96	8.36	11.00	11.16
February	11.50	12.01	9.66	9.58	7.49	8.39	7.83	8.54	10.89	10.98
March	11.39	11.78*	9.59	9.21*	7.50	8.46*	7.82	8.69*	10.63	10.50*
April	11.11	12.03	9.39	9.50	7.53	8.72	7.85	8.87	10.50	10.50
May	10.90	12.15	9.21	9.58	7.62	9.11	7.89	9.43	10.50	10.50
June	10.89	12.10	9.21	9.55	7.79	9.05	8.02	9.36	10.50	10.50
July	11.15	11.96	9.43	9.32	7.93	8.89	8.16	9.11	10.67	10.50
August	11.33	11.85	9.54	9.25	8.26	8.72	8.53	8.97	10.93	10.50
September	11.46	11.63	9.63	9.16	8.69	8.36	9.02	8.67	11.36	10.50
October	11.63	11.42	9.72	9.02	9.02	8.05	9.45	8.42	11.92	10.50
November	11.82	11.25	9.93	8.89	9.46	7.82	9.86	8.16	12.46	10.50
December	11.91	11.16	10.07	8.75	9.75	7.69	10.23	7.97	12.75	10.50

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Georgia State University

university plaza
atlanta, georgia 30303

college of business administration
economic forecasting project
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MONTHLY PROJECTIONS
FOR FEBRUARY
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AGRICULTURE SLOWS THE RECOVERY

Everyone knew that the payment in kind program was going to idle substantial portions of agricultural acreage. Reduced acreage for coarse grains and cotton approach one-third of total arable land. Agricultural economists worked feverishly to determine the impact that such a reduction would have upon the 1983 crop carryover and upon prices. Price increases in corn, soybeans (not a PIK crop), and other grains were in double-digits over the winter, but few economists saw this as a serious problem. Indeed, crop carryovers from 1982 were so huge that large reductions in 1983 acreage were cheered. Farm incomes would improve, the balance sheets of grain producers would rise, and the agricultural industry would be in transition toward improved financial health in 1984.

The first problem with this sanguine outlook began to surface with sharp increases in feed grain prices in late March and April. This suggested that costs borne by livestock raisers would be significantly increased by agricultural policies. The initial impact of these expected rising costs was an increase in animal slaughters. (The slaughter of feeder cattle slowed, however, because serious mud problems in the feedlots impaired weight gain). Meat prices now are expected to grow more slowly in 1983 than in our previous projections. On the other hand, herd populations going into 1984 should be restricted. Combined with the sharply reduced carryover of grain crops, agricultural prices might become a problem in that year. Of course, this outlook would greatly increase the speed by which grain farmers return to economic health.

The second economic problem with the current agricultural policy appeared in the March employment situation. Teenage employment in agriculture fell 60,000 jobs in that month. It now appears that the PIK program may lead to a reduction of more than a quarter million agricultural jobs in 1983.

Now, the preliminary GNP estimates for the first quarter show that farm production is falling sharply. Although the farm economy no longer is a major sector in the GNP accounts, a 30% reduction in crops will have an impact. Indeed, real GNP grew more slowly in the first quarter than almost everyone expected primarily because of a sharp reduction in farm production. Some upward blip in farm output is expected in the spring as those underweight steers finally are fattened and sent to slaughter. In the latter part of the year, however, agricultural production should again decline.

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The agricultural distortions also led to a surprisingly strong 5.8% increase in the implicit GNP price deflator. Three sectors were responsible for that surprisingly high measure of inflation. They were, farm inventories, the trade sector, and federal purchases of goods and services. In every instance it was increasing grain prices that led to these pricing distortions. As some low priced grains were withdrawn from Commodity Credit loans, the government price deflator for purchases of nondurable goods exploded. Indeed, the federal government deflator increased 14.9% at annual rates. In the trade sector, net exports increased from $9.1 billion in the fourth quarter to $16.6 billion in the first quarter even as inflation adjusted net exports declined from $27.2 billion to $24.0 billion. The GNP deflator probably will grow more slowly in the remainder of 1983 than underlying inflationary pressures as measured by the PPI and CPI would warrant.

Because of the sharp reduction in purchases for the Commodity Credit Corporation and the decline in agricultural production, final sales gained only 0.9% in the first quarter after adjustment for inflation. If farm production temporarily improves, as we expect, final sales should grow much stronger in the second quarter. In addition, the $12.4 billion reduction in inventories during the first quarter still allows significant further changes in GNP until inventory liquidations are completed. Moreover, the implied 211.7 consumption deflator for March may be too large, according to the March CPI. Therefore, a downward revision in the GNP deflator accompanied by a resulting upward revision in real economic activity is possible. In addition, such revision would then reveal that consumption in real terms is expanding at about a 5% clip.

Although nominal GNP in the first quarter grew more rapidly than we had anticipated, thanks to a sharp increase in the implicit agricultural deflator, those monetary economists who anticipated a surge in economic activity early in 1983 must be refiguring their calculations. Normally, velocity rises sharply in the first year of economic recovery. However, velocity during the first quarter of this year continued to fall. Thus, Paul Volcker's claim that more transactions deposits and currency are being held for liquidity purposes than in the past is justified. The inflationary fallout from rapid money growth should be much smaller than many monetary alarmists currently are declaring.

Finally, the credit markets once again are becoming unconcerned about monetary expansion. Whenever the Federal Reserve implies that it will prevent interest rates from rising, long term rates have rallied. Of course, the rate of economic expansion during the second quarter may be sufficiently robust to prevent any further downward movement in interest rates. This continues to be our anticipation. Rates still have the potential to decline late in 1983.

Quarterly Profile of GNP

	1982-IV	1983-I	1983-II	1983-III	1983-IV	1984-I
Real	-1.1	3.1	5.4	3.2	5.0	4.6
Price	3.7	5.8	4.0	5.0	4.8	5.2
Nominal	2.6	9.0	9.7	8.4	10.2	10.1

Monthly Statistical Highlights
for April 1983

Payroll employment, +166,000; index of hours worked, +0.2%; household employment, +143,000; civilian unemployment rate, 10.4%; personal income, +0.6%; savings rate, 6.1%; personal consumption, +1.1%; retail sales, +1.6%; auto sales, 9.3 million units; housing starts, -6.2%; housing permits, -0.6%; construction expenditures, +1.0%; business inventories, +0.3%; orders for durable goods, +0.6%; orders for nondefense capital goods, +0.9%; industrial production, +0.4%; CPI, +0.7%; PPI, +0.4%; consumption deflator, +0.4%; leading indicators, -0.1%; M1, +7.0%; M2, +3.0%.

Monthly Statistical Highlights
for May 1983

Payroll employment, +156,000; index of hours worked, +0.3%; household employment, +161,000; unemployment rate, 10.4%; personal income, +0.7%; savings rate, 6.1%; personal consumption, +0.6%; retail sales, +0.5%; auto sales, 9.1 million units; housing starts, +0.7%; housing permits, -2.3%; construction expenditures, +0.9%; business inventories, +0.1%; orders for durable goods, +1.5%; orders for nondefense capital goods, +2.2%; industrial production, +0.6%; CPI, +0.4%; PPI, +0.3%; consumption deflator, +0.3%; leading indicators, +0.6%; M1,+4.4%; M2,+11.2%.

COMMENTARY

Employment

Although retail payrolls rebounded in March following the weather impacted February survey, construction payrolls continued to ease. Most of the expansion in payrolls during March occurred in the services area. The weakness in construction suggests that construction expenditures declined again in March. Certainly the decline in housing starts, while not unexpected, confirms that construction did not show advances after seasonal adjustment. A sharp rebound in the workweek will add to the leading indicators during March. An expansion of overtime hours also suggests that manufacturing activity continues to rebound from previous depressed levels relative to sales.

Two factors suggest that unemployment will show little improvement in the next few months. First, the impact of the Payment In Kind program upon agricultural employment almost certainly will restrain the growth of household employment. While most of these absent jobs will cause reduced entrance to the workforce, especially for teenagers, the agricultural slowdown must have some impact upon unemployment. Second, the surprising 445,000 reduction in the labor force during the first quarter of economic expansion cannot be expected to continue. To be sure, a significant portion of that reduction reflects females leaving the workforce. The actual number of discouraged workers declined during the first quarter. This may reflect a withdrawal from undesirable but necessary jobs once the primary breadwinner becomes re-employed. Nevertheless, some surge in the labor force certainly is anticipated in the months ahead. Most assuredly, a 10,000 increase in household employment between December and March cannot justify the 0.5 percentage point reduction in unemployment rates that also materialized during that period.

Personal Income and Outlays

Although the GNP accounts clearly suggest that profitablity per unit of farm output is rising, reduced animal slaughters during the first quarter led to declines in farm income. As slaughters increase in the second quarter, a sharp rebound should develop in that category. With wage income continuing to grow at 0.6% per month, the rate of expansion experienced in March, personal income gains of 9 - 10% at annual rates during the second quarter appear likely.

The biggest surprise in the personal income statistics at the present time is the continuing growth of tax payments. Apparently, tax filing from those who qualify for refunds has been unusually slow. Probably, the number of changes in the 1982 income tax form has delayed the filing process. Also, the IRA contributions were very significant in the last few weeks of the tax season. This suggests that personal taxes will fall during the spring, and again decline sharply in July. If so, consumer spending could be stronger than currently expected.

Outlays in April are being bolstered by two special events. First, the 5¢ excise tax on gasoline sharply increases the dollar purchases of nondurable goods. Indeed, the effects of the excise tax alone would contribute 0.5% to retail sales gains in April. Second, a new incentive program for automobiles has led to favorable consumer response. As a result, durable goods should rise sharply in April. When the two effects are combined, double-digit gains in retail sales and in consumption expenditures are expected in that month.

Revisions in previous estimates of retail sales have sharply reduced the magnitude of non-auto durable sales. (Those revisions also sharply increased measures of nondurable sales). Thus, the boom in furniture sales was only an early winter phenomenon. Because housing has increased substantially, sharp gains in furniture sales certainly would be anticipated in the spring.

Housing and Construction

Although housing starts declined in line with anticipations during March, the prevailing strength in the housing market exceeds most anticipations. It now appears that multiple units will approach 600,000 for the year. Single family units probably will average one million. These strong gains clearly have raised our estimates of the contribution of residential construction to GNP in comparison to estimates contained in our February forecast.

Moreover, the sharp surge in construction prices appears to have been confined to only a few months. The implicit construction deflator slowed to a modest 0.3% gain in February. Our estimates of construction prices in the Producer Price Index suggest that moderate price increases will continue for the next few months. As a result, more economic activity is expected from construction than had previously been expected. Unfortunately, our estimates of a significant gain in construction expenditures during March are inconsistent with the employment figures in that month. If such weakness materializes, it will probably be in the nonresidential construction area.

Business Activity

Industrial production was surprisingly strong in two areas during March. First, industrial and building materials surged at double-digit annual rates in

the month. This strongly suggests that the depletion of materials inventories in the January and February manufacturing inventory data did not continue into March. Such surge in prodouction of industrial materials appears to be justified. Second, business equipment activity expanded 0.4%. There is no evidence that orders for nondefense capital goods are growing rapidly. Moreover, the slump in such orders during February created a dramatic gap between shipments and orders. Thus, the March increase in production of business equipment must be an aberration that should not persist.

On the other hand, the gain in industrial production occurred despite a slowing in automobile assemblies to only a 5.8 million annual rate. With domestic sales growing at 6.7 million early in April, some increase in auto production certainly is justified. Thus, industrial activity should continue to expand vigorously, if not as dramatically as in January and March.

Prices

At the consumer level the 5¢ excise tax on gasoline definitely puts a stop to deflation in April. In addition, a ruined vegetable crop and serious doubts about fruit production in 1983 are exerting significant upward pressures upon food prices. Traditionally, changes in prices for fruits and vegetables are sustained only until the next crop region begins production. Thus, downward pressures may begin to appear in the vegetable area by June.

At the producers' price level, excise taxes do not matter. Therefore, increases in those components will be much more subdued than at the consumer level. Indeed, a significant gap should appear between the CPI and the PPI for finished goods commodities.

While prices almost assuredly are accelerating sharply in April, we cannot understand the implied acceleration of the consumption deflator for March. Our figures strongly suggest that consumer nondurable prices continued to fall in that month. Indeed, the retail sales figures show that gasoline stations experienced a 3.6% decline in value. However, barrels of gasoline disappearance after seasonal adjustment appear to have increased more than 1% in the month. This would suggest that a sharp reduction in gasoline prices continued through March.

Miscellaneous

The leading indicators may show a surprising decline in April after registering another significant expansion in March. The factors leading to that decline are related to consumer prices and distortions in M_2. Apparently, the 5¢ excise tax has increased the CPI in the same month that a drawdown in money market deposits, which currently are not seasonally adjusted, is restraining growth in M_2. To be sure, the stock market indices will add appreciably to the indicators. However, a temporary decline in the indicators is a distinct possibility in April.

Financial Markets

The Federal Reserve apparently has discovered a weapon to reduce long-term interest rates - have Paul Volcker talk them down. Short-term interest rates

remain close to our anticipations. Rates on Treasury bills fell more sharply than expected, but the federal funds rate remained very close to estimates. As the commerical paper rate continues to hover about 20 basis points below the federal funds rate, the reason for this interest rate stability appears to be Federal Reserve policy. Otherwise, the market forces that were causing weakness in commmerical paper would have spread to the federal funds rate. (The Federal Reserve probably did snug up rates in April). However, Paul Volcker annouced that he felt inflationary premiums were too large in long-term bonds. The market immediately rallied upon his suggestions. As that rally was not supported by fundamental changes in savings and investment conditions, it is unlikely that it can be sustained. Nevertheless, we have reduced our estimates of long-term interest rates slightly through the early summer months to reflect the lower base from which those interest rates will be changing.

Because money market deposits are too new to have their own seasonal adjustment, they are treated as if they are perfect substitutes for all other components in determining the seasonal adjustment. However, the money market deposit has greater transactions capability than most other M_2 components. As a result, the natural tax payment drawdown that occurs in April will be more accentuated for the money market deposits than for the other M_2 components. This means that M_2 after seasonal adjustment will grow very slowly in the month. In May, when refunds start to materialize, the reverse will happen. We may then see an explosion in M_2 and M_3 in May and June. Apparently, the credit markets are willing to accept the favorable seasonal adjustment distortions being generated, because they feel the Federal Reserve will accept them. Whether the Federal Reserve will continue to prevent short-term interest rates from rising after the seasonal distortion begin to unwind remains to be seen. Those already in the long-term bond market should retain their concentrations. However, long-term bond prices are not expected to show significant improvement until the fall.

Stock Market

Until now a substantial portion of the equity market's rally has been fueled by declining interest rates. No further support is now expected from the bond market until the fall. If economic activity, and corporate profitability, accelerate in the spring, as expected, further gains in equity values certainly can be justified. During the summer, however, our projections show that GNP will be growing relatively modestly. This reduced growth in earnings without any support from declining interest rates could lead to a summer correction in place of the normal summer rally. Obviously, the reduction in agricultural production raises questions about the near term prospects for those providing agricultural inputs and services and those using food in their activities. After the second quarter, supermarkets, restaurants, agricultural related chemicals and implements, and food processors all could lag the general market. Nevertheless, our stock market objective continues to remain between 1250 and 1300 on the Dow Jones Average. Of course, once the market stutters in the vicinity of those values, profit taking certainly would be justified.

EMPLOYMENT

	Payroll Employment		Index of Hours Worked		Household Civilian Employment		Civilian Unemployment Rate		Hourly Earnings Index	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
December 1982	88518	88565	101.8	102.8	99093	99093	10.8	10.8	151.9	152.1
January 1983	88635	88920	102.0	104.3	99226	99103	10.8	10.4	152.6	152.8
February	88663	88735	102.4	102.0	99358	99063	10.9	10.4	153.3	153.2
March	88775	88854	102.6	103.4	99383	99103	10.8	10.3	154.0	153.4
April	88923	89020*	102.8	103.6*	99579	99246*	10.8	10.4*	154.8	154.0*
May	89072	89176	103.0	103.8	99792	99407	10.8	10.4	155.5	154.6
June	89230	89342	103.1	104.0	100044	99611	10.7	10.4	156.3	155.1
July	89362	89528	103.4	104.3	100163	99846	10.7	10.3	157.0	155.6
August	89443	89695	103.6	104.6	100226	99996	10.6	10.3	157.8	156.4
September	89668	89843	103.9	104.8	100400	100174	10.5	10.2	158.7	157.1
October	89793	89986	104.1	105.0	100562	100328	10.5	10.2	159.4	157.8
November	89941	90105	104.4	105.2	100823	100502	10.5	10.1	160.1	158.5
December	90192	90284	104.7	105.4	101117	100695	10.4	10.0	160.9	159.3
January 1984	90278	90504	104.9	105.7	101242	100932	10.4	9.9	161.8	160.2
February	90385	90678	105.0	105.9	101343	101149	10.4	9.9	162.7	161.0
March	90504	90796	105.2	106.1	101445	101360	10.3	9.8	163.6	161.8

PERSONAL INCOME

	Personal Income		Wage & Salary		Personal Savings		Disposable Income		Personal Outlays	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
December 1982	2.638	2.635	1.575	1.580	136.6	130.8	2.238	2.232	2.101	2.102
January 1983	2.642	2.640	1.585	1.596	126.6	125.0	2.242	2.240	2.115	2.115
February	2.654	2.643	1.592	1.594	127.1	124.5	2.253	2.240	2.126	2.116
March	2.672	2.671*	1.601	1.616*	129.4	143.1*	2.272	2.271*	2.143	2.127*
April	2.693	2.687	1.614	1.626	133.4	140.3	2.291	2.289	2.158	2.149
May	2.708	2.705	1.628	1.637	136.5	139.5	2.303	2.303	2.167	2.164
June	2.722	2.721	1.641	1.646	137.5	138.6	2.313	2.315	2.176	2.177
July	2.739	2.739	1.651	1.656	153.6	151.1	2.346	2.347	2.192	2.197
August	2.758	2.757	1.662	1.667	143.7	145.3	2.359	2.361	2.215	2.215
September	2.778	2.774	1.673	1.676	144.3	140.9	2.374	2.371	2.230	2.230
October	2.793	2.791	1.685	1.685	142.7	138.8	2.385	2.384	2.242	2.246
November	2.815	2.808	1.696	1.695	141.0	138.9	2.404	2.399	2.263	2.261
December	2.837	2.826	1.707	1.705	139.9	131.2	2.422	2.412	2.282	2.281
January 1984	2.850	2.838	1.719	1.719	140.7	120.1	2.433	2.420	2.292	2.300
February	2.872	2.856	1.731	1.730	143.6	111.4	2.452	2.433	2.308	2.322
March	2.895	2.875	1.744	1.741	145.6	108.9	2.471	2.447	2.325	2.338

Fore. = February Forecast
C.E. = Current Expectations
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CONSUMPTION

	Personal Consumption		Durables		Nondurables		Services		Consumption Real	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
December 1982	2041.1	2041.1	259.1	259.1	776.1	776.1	1006.0	1006.0	969.9	971.6
January 1983	2054.2	2053.5	258.5	258.5	780.3	778.4	1015.4	1016.5	971.2	974.2
February	2065.7	2054.2	256.0	256.4	785.9	776.4	1023.8	1021.3	972.2	974.4*
March	2078.7	2065.3*	254.7	260.9*	789.7	774.5*	1034.3	1029.9*	973.9	978.8
April	2097.9	2087.8	258.9	267.7	792.6	782.6	1046.4	1037.5	978.7	985.4
May	2106.7	2100.9	265.1	268.8	794.9	787.7	1046.7	1044.4	979.7	988.7
June	2115.5	2113.6	270.7	268.8	797.3	791.2	1047.5	1053.6	980.2	990.1
July	2131.5	2133.0	271.9	274.8	803.5	796.3	1056.1	1061.9	982.2	995.3
August	2154.4	2152.3	273.0	278.5	809.2	803.1	1072.2	1070.7	987.7	999.8
September	2169.3	2166.1	273.9	280.2	814.8	807.1	1080.6	1078.8	989.7	1001.5
October	2181.0	2180.8	278.9	283.0	819.0	810.5	1083.1	1087.3	990.0	1004.5
November	2201.7	2195.3	282.8	286.0	824.5	814.1	1094.4	1095.2	994.7	1006.8
December	2220.4	2213.7	285.5	290.4	829.1	820.6	1105.8	1102.7	998.1	1011.4
January 1984	2230.1	2231.9	286.6	294.0	833.7	828.5	1109.8	1109.4	997.5	1015.5
February	2245.9	2253.1	288.1	298.5	838.5	837.3	1119.3	1117.3	1000.5	1020.9
March	2262.6	2269.0	289.7	301.2	843.4	842.4	1129.5	1125.4	1003.9	1023.7

RETAIL SALES

	Retail Sales		Non-Auto Durables		Auto (Million Units)		Nondurable Sales		Auto Sales	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
December 1982	91.52	92.46	12.36	12.00	8.7	8.7	62.15	63.74	17.01	16.73
January 1983	91.47	92.30	12.56	12.33	8.4	8.7	62.49	63.99	16.42	15.98
February	92.14	91.20	12.55	11.95	8.5	8.6	62.93	63.92	16.66	15.33
March	92.46	91.52	12.57	11.89	8.5	8.7	63.24	63.76	16.65	15.87
April	93.14	93.03*	12.63	11.97*	8.7	9.3*	63.47	64.43*	17.04	16.63*
May	93.80	93.45	12.74	12.13	8.9	9.1	63.66	64.85	17.40	16.47
June	94.46	93.74	13.01	12.25	9.0	9.0	63.85	65.14	17.60	16.35
July	95.26	94.80	13.13	12.46	9.1	9.2	64.34	65.56	17.79	16.78
August	95.84	95.75	13.05	12.62	9.2	9.3	64.80	66.12	17.99	17.01
September	96.77	96.26	13.14	12.71	9.4	9.3	65.25	66.45	18.38	17.10
October	97.53	96.84	13.22	12.79	9.6	9.4	65.59	66.73	18.72	17.32
November	98.18	97.45	13.28	12.82	9.7	9.5	66.03	67.02	18.87	17.61
December	98.95	98.46	13.30	12.98	9.9	9.7	66.39	67.56	19.26	17.92
January 1984	99.35	99.49	13.44	13.05	9.9	9.8	66.76	68.21	19.15	18.23
February	99.91	100.69	13.68	13.14	9.8	9.9	67.15	68.93	19.08	18.62
March	100.48	101.40	13.69	13.25	9.9	9.9	67.54	69.35	19.25	18.80

Fore. = February Forecast
C.E. = Current Expectations
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CONSTRUCTION

	Housing Starts		Single Family Starts		Housing Permits		Construction Expenditures (Current)		Construction Expenditures (Real)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
December 1982	1.266	1.280	0.801	0.842	1.031	1.035	234.7	239.0	147.1	153.7
January 1983	1.342	1.707	0.867	1.136	1.179	1.478	244.1	256.1	152.1	161.6
February	1.305	1.756	0.825	1.040	1.201	1.493	239.5	250.9	148.2	157.9
March	1.211	1.617*	0.753	1.014*	1.162	1.415*	238.7	255.5*	146.8	160.2*
April	1.342	1.516	0.855	0.962	1.205	1.406	244.2	258.0	149.7	160.9
May	1.425	1.527	0.908	0.975	1.283	1.374	248.6	260.4	152.0	161.5
June	1.475	1.560	1.000	1.005	1.327	1.366	252.9	262.9	153.8	162.4
July	1.442	1.585	0.957	1.063	1.305	1.372	255.2	264.0	154.9	162.2
August	1.407	1.604	0.955	1.107	1.267	1.395	257.0	266.5	155.6	162.5
September	1.480	1.621	0.992	1.085	1.308	1.422	259.2	268.5	156.1	163.0
October	1.496	1.617	1.016	1.095	1.335	1.397	262.0	270.7	157.1	163.6
November	1.503	1.661	1.023	1.141	1.353	1.468	264.7	272.9	158.0	163.9
December	1.510	1.586	1.042	1.096	1.372	1.416	267.6	274.1	158.9	163.8
January 1984	1.503	1.663	1.025	1.122	1.353	1.449	269.7	277.1	159.5	164.7
February	1.521	1.629	1.009	1.106	1.382	1.422	271.6	279.5	159.9	165.4
March	1.551	1.655	1.050	1.115	1.426	1.456	273.5	282.0	160.4	166.3

CONSTRUCTION CONTINUED

	Private Non-Residential		Public Construction		Residential Construction	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
December 1982	103.6	104.4	47.7	47.6	83.3	87.0
January 1983	104.3	106.7	54.4	55.9	85.4	93.5
February	103.7	105.9	53.1	49.6	82.7	95.4
March	103.0	105.8*	53.3	51.4*	82.4	98.3*
April	103.5	105.5	54.0	51.9	86.7	100.6
May	104.2	105.2	55.1	52.7	89.3	102.5
June	104.8	105.6	56.2	53.0	91.9	104.3
July	105.2	105.1	56.2	53.2	93.8	105.7
August	105.5	105.7	56.0	53.6	95.5	107.2
September	105.8	106.0	56.3	54.0	97.1	108.5
October	106.5	106.2	57.0	54.8	98.5	109.7
November	107.4	107.0	57.5	55.4	99.8	110.5
December	108.4	107.7	58.1	55.0	101.1	111.4
January 1984	109.0	108.4	58.0	55.6	102.7	113.1
February	109.4	109.2	58.3	55.9	103.9	114.4
March	109.9	109.5	58.5	56.4	105.1	116.1

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PRICES

	CPI-U (seasonally adjusted)		PPI Finished Goods (seasonally adjusted)		PPI-Industrial Commodities (unadjusted)		Estimated GNP Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
December 1982	293.5	293.5	286.0	285.9	315.0	315.0	2.1045	2.1064
January 1983	293.9	294.1	285.6	283.0	316.2	314.0	2.1176	2.1139
February	295.3	293.5	285.4	283.4	316.9	314.4	2.1312	2.1163
March	296.7	293.5*	286.5	283.1	316.7	313.4	2.1460	2.1182
April	298.0	294.7	288.2	283.6*	318.1	314.0*	2.1543	2.1304
May	299.1	295.6	290.1	284.3	320.2	314.6	2.1649	2.1392
June	300.2	296.8	291.7	285.0	322.3	315.3	2.1755	2.1487
July	301.8	298.1	293.5	285.6	323.8	316.0	2.1842	2.1579
August	303.5	299.5	294.9	286.2	325.0	316.6	2.1930	2.1685
September	305.4	300.9	296.3	286.7	326.2	317.3	2.2018	2.1785
October	307.0	302.2	298.2	287.2	327.8	318.9	2.2130	2.1868
November	308.4	303.5	299.9	288.5	329.2	319.5	2.2238	2.1968
December	309.9	304.8	301.2	289.1	330.6	320.2	2.2345	2.2057
January 1984	311.3	305.5	303.2	290.0	331.9	321.4	2.2446	2.2151
February	312.9	306.2	305.3	291.1	333.6	322.3	2.2547	2.2244
March	314.5	307.0	307.1	291.8	335.4	323.5	2.2650	2.2336

	Consumption Deflator		Consumer Durables		Consumer Nondurables		Consumer Services		Implicit Construction Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
December 1982	210.5	210.1	176.6	176.6	210.7	210.4	221.2	220.6	159.5	155.5
January 1983	211.5	210.8	177.2	176.9	211.5	210.3	222.5	222.0	160.5	158.4
February	212.5	210.8*	177.8	177.3*	212.1	209.5*	223.7	222.4*	161.6	158.9
March	213.4	211.0	178.4	177.6	212.6	209.2	225.0	223.1	162.6	159.5*
April	214.3	211.9	179.1	178.1	213.3	210.4	226.2	224.0	163.1	160.3
May	215.0	212.5	179.8	178.6	213.8	210.7	227.3	224.9	163.6	161.2
June	215.8	213.5	180.6	179.3	214.4	211.3	228.5	226.2	164.4	161.9
July	217.0	214.3	181.1	180.1	215.5	211.8	230.0	227.5	164.8	162.8
August	218.1	215.3	181.8	180.9	216.6	212.4	231.1	228.9	165.2	164.0
September	219.2	216.3	182.5	181.5	217.7	213.0	232.2	230.4	166.0	164.7
October	220.3	217.1	183.4	181.9	218.6	213.4	233.8	231.8	166.8	165.5
November	221.4	218.1	184.2	182.5	219.5	214.0	235.1	233.2	167.5	166.5
December	222.5	218.9	185.0	182.9	220.4	214.6	236.5	234.5	168.4	167.3
January 1984	223.6	219.8	185.5	183.5	221.3	215.3	238.0	235.8	169.1	168.2
February	224.5	220.7	186.1	184.2	222.2	216.0	239.0	237.1	169.9	169.0
March	225.4	221.6	186.6	184.9	223.1	216.9	240.0	238.2	170.5	169.6

Fore. = February Forecast
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BUSINESS ACTIVITY

	Manufacturers Inventories		Durable Goods Orders		Non-Defense Capital Goods Orders		Non-Defense Capital Shipments	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
December 1982	269.0	265.2	71.65	76.59	20.46	20.15	21.45	21.95
January 1983	268.7	262.1	69.96	80.92	20.15	20.47	21.20	21.21
February	268.3	261.6	69.25	78.36	19.63	19.00	21.05	20.98
March	268.7	262.0*	69.45	80.46*	19.55	19.65*	20.93	20.95*
April	269.5	263.5	71.27	80.92	20.73	19.83	21.05	20.78
May	270.8	264.2	74.43	82.15	21.14	20.26	21.20	20.82
June	271.4	265.0	74.96	82.85	21.45	20.43	21.38	20.88
July	272.1	265.9	76.22	82.86	21.83	20.09	21.50	20.83
August	273.3	266.8	76.12	83.39	21.65	20.47	21.55	20.89
September	274.2	267.9	76.74	84.63	21.89	20.93	21.55	21.04
October	276.5	269.3	78.29	85.68	22.03	21.23	21.78	21.20
November	278.9	271.0	80.43	86.43	22.42	21.62	21.92	21.35
December	280.6	272.3	80.99	87.11	22.69	21.85	22.12	21.39
January 1984	282.7	273.8	81.65	88.42	22.75	22.14	22.15	21.53
February	285.3	275.3	84.15	88.96	22.93	22.05	22.28	21.67
March	287.9	277.2	86.28	89.95	23.05	22.39	22.41	21.78

	Business Inventories		Defense Shipments		Industrial Production		Capacity Utilization	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
December 1982	507.5	512.3	5.01	5.10	134.7	135.2	67.2	67.5
January 1983	505.3	507.6	5.15	5.04	135.9	137.2	67.9	68.5
February	504.9	508.1	5.24	5.12	136.3	137.6	68.1	68.7
March	506.3	509.9*	5.33	5.19*	137.0	139.1	68.5	69.4
April	507.6	511.4	5.42	5.25	138.6	139.7*	69.4	69.7*
May	509.0	512.1	5.53	5.33	139.7	140.5	70.1	70.1
June	510.0	512.9	5.62	5.40	140.5	141.1	70.5	70.3
July	511.3	514.8	5.70	5.49	141.1	141.7	70.8	70.5
August	513.1	516.7	5.77	5.62	141.7	142.5	71.1	70.9
September	514.8	519.2	5.84	5.75	142.4	142.9	71.6	71.1
October	516.9	522.4	5.98	5.81	143.7	143.5	72.5	71.4
November	520.4	525.3	6.12	5.85	145.4	144.2	73.5	71.7
December	524.3	527.5	6.26	6.04	146.0	144.8	73.8	71.9
January 1984	527.3	529.2	6.33	6.20	146.5	145.6	74.1	72.3
February	531.4	532.3	6.43	6.28	147.1	146.2	74.5	72.6
March	535.0	534.6	6.55	6.37	147.7	146.7	74.8	72.8

Fore. = February Forecast
C.E. = Current Expectations
* this item, and those beyond it, are projections.

MISCELLANEOUS

	Merchandise Trade Balance		Leading Indicators		Estimated GNP		Estimated GNP (1972 $)		IVA (annual rate)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
December 1982	-3203	-2808	134.6	141.2	3123	3128	1484	1485	15.6	13.8
January 1983	-2865	-2628	136.5	146.2	3145	3155	1485	1493	10.0	10.3
February	-3142	-2689	136.0	148.3	3153	3161	1479	1494	4.6	9.2
March	-3458	-2843*	137.7	150.2*	3179	3177	1481	1500	5.8	10.2
April	-2572	-2975	138.3	150.0	3221	3212	1495	1508	9.4	9.6
May	-3016	-3321	139.0	150.9	3255	3247	1504	1518	15.5	11.5
June	-2609	-3446	140.2	151.5	3286	3278	1511	1526	16.5	13.8
July	-2447	-3392	140.0	151.7	3302	3295	1512	1527	17.2	15.6
August	-3164	-3258	141.1	152.3	3324	3315	1516	1529	13.6	16.7
September	-3962	-3368	141.6	152.0	3345	3337	1519	1532	16.6	16.5
October	-3047	-3112	142.5	151.5	3383	3375	1529	1543	17.1	18.8
November	-3662	-3233	142.3	151.9	3418	3403	1537	1549	18.0	18.9
December	-3880	-3456	142.7	152.8	3454	3436	1546	1558	18.9	20.3
January 1984	-3542	-3358	142.9	153.3	3470	3463	1546	1563	18.0	21.7
February	-3385	-3449	143.8	154.2	3492	3491	1549	1569	18.3	21.5
March	-3264	-3485	144.5	155.0	3510	3508	1550	1571	18.6	22.3

Fore. = February Forecast
C.E. = Current Expectations
* This item, and those beyond it, are projections

FINANCIAL MARKETS

	Monetary Base		M1		M2		Federal Funds		T-Bills (6 Mos.)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
December 1982	183.5	183.5	478.5	478.2	2008.1	1959.2	8.95	8.95	8.16	8.16
January 1983	184.9	185.0	482.7	482.1	2028.2	2008.2	8.26	8.68	8.05	7.93
February	186.2	187.4	486.6	491.1	2055.3	2047.3	8.02	8.51	8.01	8.23
March	187.5	190.0	490.5	497.7	2077.0	2066.1	8.20	8.77	8.05	8.37
April	188.7	191.5*	492.8	500.5*	2087.0	2071.2*	8.78	8.72*	8.67	8.19*
May	189.6	192.2	492.5	502.3	2096.8	2089.6	9.36	8.95	8.92	8.36
June	190.5	192.9	494.0	504.5	2106.6	2105.3	9.61	9.06	8.93	8.73
July	191.6	193.6	496.3	506.1	2125.3	2111.2	9.02	8.85	8.74	8.51
August	192.8	194.3	498.7	508.0	2138.0	2121.7	9.27	8.82	8.56	8.45
September	194.0	195.0	501.2	509.7	2150.7	2135.6	9.85	8.51	8.86	8.29
October	195.2	195.7	504.3	511.3	2167.4	2144.3	9.90	8.16	9.07	7.93
November	196.3	196.5	506.2	513.6	2185.5	2156.8	9.97	8.12	9.28	7.85
December	197.4	197.3	508.4	515.1	2205.1	2172.5	9.92	7.92	9.49	7.57
January 1984	198.6	198.3	510.6	517.7	2218.3	2187.8	9.75	7.88	8.92	7.23
February	199.7	199.2	512.7	520.1	2229.0	2203.4	9.22	7.75	8.63	7.09
March	200.8	200.3	514.8	522.9	2239.7	2219.7	8.75	7.83	8.46	7.15

	Aaa (Seasoned)		Municipals (Bond Buyer)		(6 Month) Commercial Paper		90 Day CD's		Prime Rate	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
December 1982	11.83	11.83	9.96	9.96	8.51	8.50	8.66	8.80	11.50	11.50
January 1983	11.73	11.79	9.46	9.50	8.16	8.15	8.37	8.36	11.22	11.16
February	11.61	12.01	9.27	9.58	7.96	8.39	8.15	8.54	11.00	10.98
March	11.67	11.73	9.15	9.15	8.15	8.48	8.37	8.69	11.00	10.50
April	11.76	11.52*	9.37	9.36*	8.66	8.53*	8.79	8.77*	11.28	10.50*
May	11.95	11.67	9.35	9.52	9.27	8.86	9.46	9.12	11.95	10.50
June	12.08	11.85	9.52	9.59	9.58	9.15	9.75	9.28	12.00	10.50
July	12.01	11.82	9.37	9.45	9.15	9.03	9.37	9.21	12.00	10.50
August	12.05	11.75	9.42	9.39	9.34	9.00	9.53	9.19	12.00	10.50
September	12.09	11.49	9.51	9.05	9.89	8.47	10.07	8.72	12.27	10.50
October	12.16	11.32	9.62	8.78	10.06	8.11	10.26	8.38	12.50	10.23
November	12.30	11.07	9.71	8.63	10.17	8.15	10.38	8.37	12.35	10.00
December	12.47	11.03	9.83	8.60	10.12	8.01	10.32	8.24	12.16	10.00
January 1984	12.20	10.78	9.65	8.47	9.94	7.98	10.14	8.20	12.00	10.00
February	12.15	10.79	9.60	8.50	9.36	7.92	9.56	8.16	12.00	10.00
March	12.13	10.87	9.52	8.59	8.85	7.98	9.05	8.23	12.00	10.00

Fore. = February Forecast
C.E. = Current Expectations
* this item, and those beyond it, are projections.

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Georgia State University

university plaza
atlanta, georgia 30303

college of business administration
economic forecasting project
404/658-3282

MONTHLY PROJECTIONS
FOR MARCH
Issued June 6, 1983

NONFARM ECONOMY SHOWS NORMAL RECOVERY STRENGTH

Although the farm economy has distorted GNP, the nonfarm economy definitely is showing normal gains for the early stage of an economic recovery. Normally, economic activity rebounds about twice as rapidly as underlying growth in the first year of economic expansion. This is caused by a rapid acceleration in production as depleted inventories run to catch up with rising sales. It is also strengthened by substantial gains in housing construction. Of course, the improved employment generated by rising production leads to changing consumer sentiment and a significant gain in consumer spending. All those factors now appear to be operational. The only drawback from this relatively normal performance is the slightly less than vigorous expansion of consumer durables. Automobile sales are rising, but the degree of increase is not as brisk as in other recoveries. Also, nonauto durables are increasing about twice as rapidly as GNP, but they normally grow two and a half times as rapidly in the first year of recovery as consumers sharply increase the replacement of worn out durables. Although the current recovery appears to be at the lower end of the normal range for first recovery years, it does appear to fall in that normal category.

Of course, all the above should be measured in terms of nonfarm activity. The decline in agriculture during the first quarter clearly reduced economic activity below what private nonfarm activity was recording. In the second quarter increased animal slaughters will provide a positive contribution from agriculture. Thus, if the private nonfarm economy continues to expand at the 5% rate recorded in the first quarter, GNP could grow well in excess of 6%. As the private nonfarm economy appears to have stepped up activity, real GNP probably will be growing close to 7% in the second quarter. When agriculture swings to a negative mode in the third and fourth quarters, real GNP will then decelerate, especially in the fourth quarter when the first stage of economic recovery comes to an end.

This rapid gain in GNP partially explains the acceleration in money growth that has occurred in 1983. Using our estimates for May, M1 has been growing at a 14.7% annual rate since last December. M2 has been accelerating at a 17.8% annual rate while currency has expanded by 13.0%. In May itself, all the M's grew at double-digit rates, although currency has slowed to a 9% annual rate in the latest four weeks.

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No easy explanations are available for this money explosion. Certainly, the characteristics of transactions deposits have changed dramatically. For example, the first $2,500 in a super NOW account probably came from a savings account, for that is the minimum necessary to get above NOW interest rates. This transmission from M2 to M1 clearly has caused an explosion in transactions deposits. Also, until very recently, yields on money market deposits were higher than yields on Treasury bills. Indeed, the decline in noncompetitive bids on those bills suggests that people who otherwise were placing short-term liquid assets in government securities were now placing the same investments in money market deposits. Obviously, such a shift leads to substantial increases in money, for the Treasury bills were not included as part of the money supply while money market deposits are included. (Of course, the total holdings of Treasury bills are not substantially altered by this shift in individual portfolios from the liquid to the money asset; for the supply of Treasury bills appears to be invariant to Treasury bill rates. However, the shift to money market deposits must lead to a need to provide higher yields in order to clear the Treasury bill markets. These higher yields, in turn, probably are attracting some capital from abroad. In effect, money market deposits are being increased because foreigners can displace the individual holders in the Treasury bill market.)

Unfortunately, the fly in the ointment of that argument is the rapid increase in currency holdings. Portfolio shifts certainly alter the relationship between transactions deposits and transactions, but they should not alter the relationship between currency and transactions. However, the delay in refunds from the Treasury that is not appropriately captured in current money seasonals can explain some of that money growth that also would be reflected in currency. In addition, Treasury deposits were drawn down as the annual debt limit battles created annual financing distortions at the Treasury. This reduction in cash balances led to a temporary surge in measured money. All these seasonal distortions should begin to reverse within June. Indeed, the last refund checks probably were received around the Memorial Day weekend. After a surge in money during the first week in June, actual declines in the money supply should begin to appear.

Should the Federal Reserve be worried about money growth at the present time? The evidence strongly suggests that some concern is probably in order if money growth continues to expand at current rates. However, the degree of inflationary pressure that is being sighted by the current rapid growth in money appears to be subdued. Even with rapid increases in prices of crude materials in the last few months, crude prices are showing no more rapid gains in the twelve month period than other prices. In fact, that rapid price increase probably reflects nothing more than recovery from fire sale prices during the heat of inventory liquidations late in 1982. Also, the hourly earnings index continues to slow relative to year ago levels. In May, the index showed an increase of only 4.9%. This is the lowest reading since the 4.8% recorded at the low point of the early recovery from the 1970 recession. Thus, inflationary fears at the current time are not warranted.

Nevertheless, the Federal Reserve needs to decide when it will slow the growth of the money supply. The most likely condition is that slowing will occur late this year, for the international arguements against encouraging higher interest rates remain compelling. In addition, Volcker probably would not like to anger the administration at a time when his reappointment is under

consideration. Furthermore, some of the seasonal distortions clearly will begin to disappear later in June and possibly during the summer months. For these reasons, it appears that the Federal Reserve will continue to preserve the narrow channel (between 8 1/4 and 8 3/4) for the federal funds rate. Modest breaches of that rate are expected, but they should not last for more than a few days.

By the end of the year, a slowing in the rate of gain of economic activity and a concomitant slowing in money growth should provide the opportunity to encourage interest rates to decline. In the interim, sensitive short-term interest rates are expected to fluctuate above or below the federal funds rate as increases and decreases in the rate of economic growth warrant such shifts. It currently appears that interest rates will probably reach their low point during the first quarter of 1984.

The employment situation for May is not as encouraging as it first appears. Although the index of hours worked expanded sharply from a downward revised 103.9 in April to 105.3 in May, all of that increase was in the distributive and service areas. The gains in manufacturing largely reflected returns to work in the machinery industry following some severe strikes. It is not surprising that an expansion of overtime hours greets unexpected surges in orders. Then, a continuation of those orders leads to increased hiring and a reduction in the workweek. That is the pattern that developed in May for manufacturing. Thus the most rapid rate of expansion in economic activity probably already occurred in April. Economic growth now is expected to gradually slow in the private nonfarm sector. That slowing probably will be reinforced by declines in agricultural production in the second half of 1983.

Quarterly Profile of GNP

	1983-I	1983-II	1983-III	1983-IV	1984-I
Real	2.5	6.5	6.1	4.4	3.9
Price	5.7	4.5	4.0	4.8	4.7
Nominal	8.3	11.4	10.5	9.6	8.8

Monthly Statistical Highlights
for May 1983

Personal income, +0.9%; savings rate, 5.9%; personal consumption, +0.9%; retail sales, +1.1%; auto sales, 8.8 million units; housing starts, +6.6%; housing permits, -5.8%; construction expenditures, +1.5%; business inventories, +0.3%; orders for durable goods, +0.2%; orders for nondefense capital goods, -2.8%; industrial production, +1.2%; CPI, +0.5%; PPI, +0.5%; consumption deflator, +0.4%; leading indicators, +0.8%; M1, +28.0%; M2, +16.7%.

Monthly Statistical Highlights
for June 1983

Payroll employment, +186,000; index of hours worked, +0.3%; household employment, +125,000; civilian unemployment, +10.2%; personal income, +0.7%; savings rate, 5.8%; personal consumption, +0.7%; retail sales, +0.6%; auto sales, 8.9 million units; housing starts, -0.9%; housing permits, -3.1%; construction expenditures, +0.8%; business inventories, +0.5%; orders for durable goods, +1.1%; orders for nondefense capital goods, +1.6%; industrial production, +0.5%; CPI, +0.4%; PPI, +0.3%; consumption deflator, +0.3%; leading indicators, -0.3%; M1, 3.9%; M2, +7.5%.

COMMENTARY

Employment

Payroll employment rose a sizeable 374,000 in May with significant gains reappearing in construction and retail trade along with continuing large gains in durable manufacturing and services. About 20,000 jobs were created as a result of an end to work stoppages in the machinery industry. Despite rapid gains in manufacturing, the index of hours worked slowed to only a 0.6% gain from a 2.3% gain in April. Clearly, the employment gains were designed to replace overtime hours with increased personnel. Thus, the strong gains actually reveal a slight slowing in underlying employment pressures. Nevertheless, rapid gains should continue to develop, especially in the trade sector, with some support from nondurable manufacturing and construction in the months ahead.

Despite the beginning of economic recovery and significant job gains, the labor force continues to decline. A 37,000 drop in May has added to a cumulative decline since the beginning of recovery of 380,000 jobseekers. These declines appear to be especially sharp in the teenage workforce, where participation rates have fallen from 55% to 52% in the last year, and in the female workforce. Possibly, the slowing in the growth of female job seekers reflects those women who are now dropping out of the workforce after taking noncareer jobs in order to provide temporary wage support for the household. This "added worker" effect should diminish, leading to more rapid gains in female labor force as employment gains slow in the months ahead.

The teenage slowing is especially surprising as the teenage labor force is becoming more mature. Because of the rapid deceleration of teenagers, a higher proportion of the teenage population is in the higher age brackets, which are more prone to seek work. Thus, the 3 percentage point decline in participation rates is nearly a 5 percentage point decrease from anticipated trends generated by demographic changes. This discrepancy could be seasonal, leading to a dramatic increase in the teenage unemployment rate during the summer. On the other hand, teenagers may be discouraged from seeking work, and may be less pushed because of improving family economic conditions. At the present time, some acceleration in the teenage unemployment rate is anticipated during the summer. If this develops, unemployment rates may rise marginally in the third quarter before again receding toward the end of the year.

Although the hourly earnings index showed a 0.5% gain in May, the index is only 4.9% above previous year levels. This low rate virtually assures moderate inflationary pressures well into 1984. In addition, wage concessions have

reduced the wage gap between unionized and nonunionized workers. As a result, upward pressures upon wages in the nonunion sector will be relatively light in 1984. Indeed, nonunion wages may show a smaller increase in that year than in 1983. Under such circumstances, a reacceleration to double-digit inflation in 1984, as some monetary economists are claiming, is virtually an impossibility.

Personal Income and Outlays

The strong gains in hourly earnings during May, coupled with the significant gains in employment, assure a double-digit gain in private wages and salaries during May. As refund checks now are growing rapidly (they were 2% below previous year levels in March and have now ratcheted above previous year levels by the end of May), tax payments will be declining by more than $6 billion in May. Thus, personal disposable income will be rising by more than a percentage point. Even with outlays increasing by 1% as a result of significant gains in the automobile sector and continued moderate gains in other durable goods, savings should actually increase. Thus, the consumer remains in a reasonably strong position to support economic expansion in the months ahead.

With the aid of a 7.1 million domestic sales rate in the last ten days of May, auto sales may have exceeded our 8.8 million unit projections for May. However, added incentive programs in early June suggest that small cars are not selling well. Therefore, a signficant auto boom is not anticipated. Now that the excise tax effect no longer is causing gains in nondurable sales, very modest increases (not exceeding expected inflation) are reappearing. Nevertheless, the strong durable goods sales are leading to a significant expansion in real consumption expenditures. Our estimates show that consumption spending after adjustment for inflation will increase 4.7% in the second quarter.

Although retail sales are expected to grow more slowly in June than in the previous three months, year over year comparisons will be surprisingly good. This will occur because unusually poor shopping weather in the previous June significantly depressed sales. Initially, some analysts may be misled into expecting even stronger consumer activity in June than is expected to develop.

Housing and Construction

Bad weather and a natural decrease from the unusually rapid housing activity in the first quarter combined to cause a dramatic slowing in housing starts in April. However, permits continue to grow, exceeding starts by 73,000 at annual rates in the month. At the present time, more than 195,000 permits have been issued but not yet utilized. although some of these permits probably reflect deteriorating economic conditions in such areas as Houston, most of the delayed permits are being caused by more astute mortgage shopping by developers and undesirable weather conditions. Therefore, a rebound in housing starts almost certainly should occur in the months ahead. Multiple family starts showed unusual gains in the first quarter because of a government mortgage program that has since been terminated. As a result, multiple families probably will not significantly exceed 500,000 at annual rates for the remainder of this year. Even with this damper upon housing activity, significant contributions are expected from residential construction, at least until the end of 1983.

Public construction continues to fall sharply, as municipalities are having increasing difficulty financing their capital programs. However, the expansion of highway funds after the April increase in gasoline excise taxes should turn around the public construction picture. It is clear, however, that our forecast significantly overestimated public construction in the next two years.

It is also clear that private nonresidential construction has been overstated. Part of the weakness is being caused by a virtual collapse in office building activity. In addition, termination of nuclear power activity has significantly impacted these measures. Although the low point in private nonresidential activity probably will be reached in June, the Dodge reports do not yet show any substantial improvement in orders. Indeed, during the first four months, orders were down 14%.

Despite weakness in the nonresidential components of construction, total construction once again is on the rise. As the rapid housing starts of the first quarter moved toward completion, further significant gains in construction are anticipated. This is adding a substantial financial load on top of the government's need to finance their deficits. Indeed, the turnaround in construction expenditures may have been a contributory factor to the firming of interest rates during the latter part of the second quarter.

Business Activity

Another factor leading to a firming of interest rates within the second quarter is the termination of inventory liquidations. Although inventories probably still are being liquidated after adjustment for inflation, the dollar value of inventories no longer is declining. Thus, corporate financing is starting to rise. This is not being reflected in the commercial and industrial loans, as corporate profitability at the present time is rising even more rapidly than business inventories. Nevertheless, a change from inventory liquidations to inventory accumulations clearly has had some adverse effects upon credit markets.

One of the surprises in manufacturing activity is the rapidly developing strengths in durable goods orders. Some of this rebound in orders clearly reflects more rapid gains in defense orders. These orders have not yet been reflected in increased defense shipments, but such shipment gains should begin to develop toward the latter part of 1983. Significant gains in orders for nondefense capital goods probably reflect a significant gain in replacement, rather than expansion, investment. This may be the result of a bunching of replacement orders because technological innovations could not be exploited in the financially hard times of 1982. If so, nondefense orders should soon weaken. A period of no growth in such orders then would develop until economic conditions become favorable for expansion late in 1983.

A resurgence in orders clearly has firmed up shipments in the capital goods industries. Indeed, capital expenditures will be adding to GNP during the second quarter.

Prices

Prices should begin to moderate after the excise tax induced surge in April. Farm prices probably have reached an interim high, as the increased slaughtering wishes of farmers are being met by reduced slaughtering demand and to a strike on the facilities of siginificant meat packers. In such a buyers market, price concessions are very likely.

After price surges in March and April, price increases for consumer services are expected to moderate in the next few months. Housing costs probably will rise at a slower rate late in spring than in previous months while medical costs finally are beginning to grow at less than double-digit rates. A surge in increased bank service charges also appears to be waning. A similar slowing is expected in prices for consumer nondurables, which rose sharply as a result of the gasoline excise tax. Consumer durables, on the other hand, are expected to show some price acceleration after nearly a half year of no appreaciable inflationary pressures. The main instigator of this acceleration is significant price gains for intermediate and full sized automobiles.

Miscellaneous

Sharp increases in the money supply during May and substantial support from equity values may cause the leading indicators to register another substantial gain in that month. However, building permits, vendor performance, the manufacturing workweek, and sensitive prices all may be subtracting from gains. Therefore, the gains in the leading indicators should not be significant. If the money stock slows sharply in June as we currently anticipate, a weakening stock market, some moderation in orders for machinery and consumer durables, and no areas of significant strength could lead to a slight decline in the indicators during that month.

On the other hand, merchandise trade balances almost certainly are going to rise sharply from current levels. Imports still do not reflect any inventory restocking of petroleum products. When that inventory restocking begins, trade deficits could rise to the vicinity of $6 billion on the basis reported each month in the press. (Our estimates on merchandise trade balances do not include insurance and transportation charges for imports. As a result, our deficits are approximately $1.1 billion per month below those official announcements.)

Financial Markets

As mentioned above, the surge in the money supply remains difficult to explain. Clearly, seasonal distortions, debt limitation problems, refund checks, and portfolio readjustments are altering the basic relationships between transactions deposits and economic activity. Some of these changes probably are fundamental (i.e. the velocity of money will be permanently reduced by the addition of market competitive, interest bearing instruments in the transactions accounts). However, the expansion of currency suggests that money growth would be robust even without most of these explanations. In addition, the monetary base clearly has been growing a sizzling 12% at annual rates since December. Although the previous growth in monetary aggregates will not and probably should not be reversed, a slowing in monetary growth seems likely in the months ahead.

Indeed, the sharp deterioration in bond prices during the last weeks of May may be providing an unusual buying opportunity for long-term debt instruments.

Stock Market

Under these stringent conditions for credit markets, the stock market clearly has performed very creditably. A half point increase in long-term rates could justify a 60-80 point correction in the Dow Jones index. Such a correction has not materialized. The reason appears to be rising anticipations of corporate profitability. Our formulas suggest that the stock market can sustain a value of 1400 in 1983.

EMPLOYMENT

	Payroll Employment		Index of Hours Worked		Household Civilian Employment		Civilian Unemployment Rate		Hourly Earnings Index	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
December 1982	88518	88565	101.8	102.8	99093	99093	10.8	10.8	151.9	152.1
January 1983	88635	88920	102.0	104.3	99226	99103	10.8	10.4	152.6	152.8
February	88663	88759	102.4	102.1	99358	99063	10.9	10.4	153.3	153.4
March	88775	88955	102.6	103.5	99383	99103	10.8	10.3	154.0	153.4
April	88923	89213	102.8	104.3	99579	99458	10.8	10.2	154.8	153.9
May	89072	89429*	103.0	104.7*	99792	99679*	10.8	10.2*	155.5	154.5*
June	89230	89615	103.1	105.0	100044	99804	10.7	10.2	156.3	155.1
July	89362	89786	103.4	105.2	100163	99991	10.7	10.1	157.0	155.6
August	89443	89992	103.6	105.7	100226	100212	10.6	10.0	157.8	156.3
September	89668	90217	103.9	106.1	100400	100483	10.5	9.9	158.7	157.0
October	89793	90403	104.1	106.4	100562	100629	10.5	9.8	159.4	157.6
November	89941	90587	104.4	106.5	100823	100791	10.5	9.8	160.1	158.3
December	90192	90761	104.7	106.7	101117	100990	10.4	9.7	160.9	159.0
January 1984	90278	90885	104.9	107.0	101242	101168	10.4	9.7	161.8	159.8
February	90385	91042	105.0	107.2	101343	101345	10.4	9.6	162.7	160.5
March	90504	91196	105.2	107.4	101445	101526	10.3	9.6	163.6	161.3

PERSONAL INCOME

	Personal Income		Wage & Salary		Personal Savings		Disposable Income		Personal Outlays	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
December 1982	2.638	2.635	1.575	1.580	136.6	130.8	2.238	2.232	2.101	2.102
January 1983	2.642	2.642	1.585	1.596	126.6	132.5	2.242	2.244	2.115	2.111
February	2.654	2.644	1.592	1.594	127.1	133.0	2.253	2.242	2.126	2.109
March	2.672	2.659	1.601	1.603	129.4	130.2	2.272	2.256	2.143	2.125
April	2.693	2.679	1.614	1.616	133.4	130.6	2.291	2.277	2.158	2.147
May	2.708	2.698*	1.628	1.628*	136.5	134.1*	2.303	2.301*	2.167	2.167*
June	2.722	2.717	1.641	1.639	137.5	134.7	2.313	2.317	2.176	2.182
July	2.739	2.733	1.651	1.647	153.6	149.1	2.346	2.348	2.192	2.199
August	2.758	2.756	1.662	1.661	143.7	151.7	2.359	2.367	2.215	2.215
September	2.778	2.778	1.673	1.674	144.3	153.9	2.374	2.383	2.230	2.229
October	2.793	2.800	1.685	1.686	142.7	153.7	2.385	2.401	2.242	2.247
November	2.815	2.818	1.696	1.695	141.0	149.1	2.404	2.415	2.263	2.266
December	2.837	2.838	1.707	1.706	139.9	144.2	2.422	2.433	2.282	2.289
January 1984	2.850	2.852	1.719	1.719	140.7	148.9	2.433	2.446	2.292	2.297
February	2.872	2.872	1.731	1.730	143.6	148.0	2.452	2.461	2.308	2.313
March	2.895	2.893	1.744	1.742	145.6	149.4	2.471	2.476	2.325	2.327

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CONSUMPTION

	Personal Consumption		Durables		Nondurables		Services		Consumption Real	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
December 1982	2041.1	2041.1	259.1	259.1	776.1	776.1	1006.0	1006.0	969.9	971.6
January 1983	2054.2	2050.3	258.5	259.8	780.3	777.3	1015.4	1013.2	971.2	972.6
February	2065.7	2048.2	256.0	254.4	785.9	776.0	1023.8	1017.8	972.2	971.1
March	2078.7	2064.0	254.7	257.8	789.7	777.1	1034.3	1029.0	973.9	975.7
April	2097.9	2085.2	258.9	261.7	792.6	782.3	1046.4	1041.2	978.7	979.9*
May	2106.7	2104.7*	265.1	266.9*	794.9	786.3*	1046.7	1051.5*	979.7	984.9
June	2115.5	2119.8	270.7	270.4	797.3	790.3	1047.5	1059.1	980.2	988.5
July	2131.5	2136.0	271.9	273.7	803.5	794.8	1056.1	1067.5	982.2	992.3
August	2154.4	2151.9	273.0	277.9	809.2	799.4	1072.2	1074.6	987.7	995.5
September	2169.3	2165.6	273.9	281.1	814.8	802.8	1080.6	1081.7	989.7	997.8
October	2181.0	2183.3	278.9	284.3	819.0	808.9	1083.1	1090.1	990.0	1001.8
November	2201.7	2201.4	282.8	285.4	824.5	817.6	1094.4	1098.4	994.7	1005.8
December	2220.4	2223.7	285.5	289.8	829.1	827.2	1105.8	1106.7	998.1	1011.9
January 1984	2230.1	2231.5	286.6	291.1	833.7	825.2	1109.8	1115.2	997.5	1011.1
February	2245.9	2246.7	288.1	293.6	838.5	829.8	1119.3	1123.3	1000.5	1013.2
March	2262.6	2259.9	289.7	294.4	843.4	835.0	1129.5	1130.5	1003.9	1014.4

RETAIL SALES

	Retail Sales		Non-Auto Durables		Auto (Million Units)		Nondurable Sales		Auto Sales	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
December 1982	91.52	92.46	12.36	12.00	8.7	8.7	62.15	63.74	17.01	16.73
January 1983	91.47	92.30	12.56	12.33	8.4	8.7	62.49	63.99	16.42	15.98
February	92.14	91.16	12.55	11.99	8.5	8.4	62.93	63.67	16.66	15.50
March	92.46	92.74	12.57	12.15	8.5	8.2	63.24	63.90	16.65	16.69
April	93.14	94.22	12.63	12.38	8.7	8.4	63.47	64.23	17.04	17.61
May	93.80	95.27*	12.74	12.46*	8.9	8.8*	63.66	64.56*	17.40	18.25*
June	94.46	95.88	13.01	12.53	9.0	8.9	63.85	64.89	17.60	18.46
July	95.26	96.62	13.13	12.69	9.1	9.0	64.34	65.26	17.79	18.67
August	95.84	97.48	13.05	12.86	9.2	9.2	64.80	65.63	17.99	18.99
September	96.77	98.12	13.14	13.01	9.4	9.3	65.25	65.91	18.38	19.20
October	97.53	98.99	13.22	13.17	9.6	9.4	65.59	66.41	18.72	19.41
November	98.18	99.84	13.28	13.35	9.7	9.4	66.03	67.13	18.87	19.36
December	98.95	101.13	13.30	13.44	9.9	9.6	66.39	67.92	19.26	19.77
January 1984	99.35	101.11	13.44	13.38	9.9	9.7	66.76	67.75	19.15	19.98
February	99.91	101.77	13.68	13.45	9.8	9.8	67.15	68.13	19.08	20.19
March	100.48	102.30	13.69	13.52	9.9	9.8	67.54	68.56	19.25	20.22

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CONSTRUCTION

	Housing Starts		Single Family Starts		Housing Permits		Construction Expenditures (Current)		Construction Expenditures (Real)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
December 1982	1.266	1.280	0.801	0.842	1.031	1.326	234.7	239.0	147.1	153.7
January 1983	1.342	1.707	0.867	1.136	1.179	1.447	244.1	256.0	152.1	161.6
February	1.305	1.784	0.825	1.103	1.201	1.479	239.5	249.4	148.2	156.9
March	1.211	1.627	0.753	1.023	1.162	1.467	238.7	246.8	146.8	155.0
April	1.342	1.490	0.855	0.983	1.205	1.563	244.2	248.0	149.7	155.3
May	1.425	1.557*	0.908	1.095*	1.283	1.492*	248.6	250.7*	152.0	156.4*
June	1.475	1.543	1.000	1.066	1.327	1.446	252.9	252.7	153.8	157.0
July	1.442	1.594	0.957	1.092	1.305	1.458	255.2	254.8	154.9	157.8
August	1.407	1.627	0.955	1.113	1.267	1.469	257.0	259.1	155.6	159.8
September	1.480	1.649	0.992	1.128	1.308	1.483	259.2	263.8	156.1	162.0
October	1.496	1.647	1.016	1.142	1.335	1.513	262.0	267.2	157.1	163.3
November	1.503	1.653	1.023	1.153	1.353	1.526	264.7	271.2	158.0	165.2
December	1.510	1.624	1.042	1.146	1.372	1.482	267.6	276.1	158.9	167.4
January 1984	1.503	1.666	1.025	1.145	1.353	1.485	269.7	276.9	159.5	167.1
February	1.521	1.722	1.009	1.192	1.382	1.527	271.6	280.1	159.9	168.2
March	1.551	1.722	1.050	1.207	1.426	1.576	273.5	283.5	160.4	169.6

CONSTRUCTION CONTINUED

	Private Non-Residential		Public Construction		Residential Construction	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
December 1982	103.6	104.4	47.7	47.6	83.3	87.0
January 1983	104.3	106.7	54.4	55.9	85.4	93.4
February	103.7	102.9	53.1	50.2	82.7	96.3
March	103.0	100.2	53.3	48.0	82.4	98.6
April	103.5	98.0	54.0	45.7	86.7	104.3
May	104.2	97.6*	55.1	46.9*	89.3	106.2*
June	104.8	97.5	56.2	47.3	91.9	107.9
July	105.2	98.0	56.2	48.5	93.8	108.3
August	105.5	98.5	56.0	50.1	95.5	110.5
September	105.8	99.5	56.3	51.6	97.1	112.7
October	106.5	100.3	57.0	52.0	98.5	114.9
November	107.4	102.0	57.5	52.9	99.8	116.3
December	108.4	103.9	58.1	54.0	101.1	118.2
January 1984	109.0	104.0	58.0	54.4	102.7	118.5
February	109.4	105.5	58.3	55.1	103.9	119.5
March	109.9	107.0	58.5	55.7	105.1	120.8

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PRICES

	CPI-U (seasonally adjusted)		PPI Finished Goods (seasonally adjusted)		PPI-Industrial Commodities (unadjusted)		Estimated GNP Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
December 1982	293.5	293.5	286.0	285.9	315.0	315.0	2.1045	2.1064
January 1983	293.9	294.1	285.6	283.0	316.2	314.0	2.1176	2.1236
February	295.3	293.5	285.4	283.4	316.9	314.4	2.1312	2.1329
March	296.7	293.8	286.5	283.1	316.7	313.4	2.1460	2.1443
April	298.0	295.6	288.2	282.8	318.1	312.6	2.1543	2.1555
May	299.1	297.1*	290.1	284.2*	320.2	313.9*	2.1649	2.1634
June	300.2	298.2	291.7	285.0	322.3	314.5	2.1755	2.1701
July	301.8	299.1	293.5	285.5	323.8	315.3	2.1842	2.1771
August	303.5	300.0	294.9	286.1	325.0	316.0	2.1930	2.1846
September	305.4	300.9	296.3	286.7	326.2	316.2	2.2018	2.1917
October	307.0	302.1	298.2	287.2	327.8	318.5	2.2130	2.2027
November	308.4	303.1	299.9	287.9	329.2	319.2	2.2238	2.2104
December	309.9	304.3	301.2	288.5	330.6	320.3	2.2345	2.2180
January 1984	311.3	305.5	303.2	289.3	331.9	321.5	2.2446	2.2267
February	312.9	306.8	305.3	290.2	333.6	322.8	2.2547	2.2360
March	314.5	308.1	307.1	291.0	335.4	324.0	2.2650	2.2448

	Consumption Deflator		Consumer Durables		Consumer Nondurables		Consumer Services		Implicit Construction Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
December 1982	210.5	210.1	176.6	176.6	210.7	210.4	221.2	220.6	159.5	155.5
January 1983	211.5	210.8	177.2	177.6	211.5	210.5	222.5	221.7	160.5	158.4
February	212.5	210.9	177.8	177.3	212.1	209.8	223.7	222.4	161.6	158.9
March	213.4	211.5	178.4	177.2	212.6	210.1	225.0	223.5	162.6	159.2
April	214.3	212.8*	179.1	177.0*	213.3	212.2*	226.2	224.7*	163.1	159.7*
May	215.0	213.7	179.8	178.0	213.8	212.9	227.3	225.8	163.6	160.3
June	215.8	214.4	180.6	178.6	214.4	213.5	228.5	226.8	164.4	161.0
July	217.0	215.3	181.1	179.3	215.5	214.0	230.0	228.0	164.8	161.5
August	218.1	216.2	181.8	180.0	216.6	214.6	231.1	229.3	165.2	162.1
September	219.2	217.0	182.5	180.8	217.7	215.2	232.2	230.5	166.0	162.8
October	220.3	217.9	183.4	181.5	218.6	215.8	233.8	231.8	166.8	163.6
November	221.4	218.9	184.2	182.1	219.5	216.5	235.1	233.0	167.5	164.2
December	222.5	219.7	185.0	182.8	220.4	217.3	236.5	234.1	168.4	164.9
January 1984	223.6	220.7	185.5	183.5	221.3	218.0	238.0	235.3	169.1	165.7
February	224.5	221.7	186.1	184.3	222.2	219.0	239.0	236.5	169.9	166.5
March	225.4	222.8	186.6	185.0	223.1	219.8	240.0	237.8	170.5	167.2

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BUSINESS ACTIVITY

	Manufacturers Inventories		Durable Goods Orders		Non-Defense Capital Goods Orders		Non-Defense Capital Shipments	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
December 1982	269.0	265.2	71.65	76.59	20.46	20.15	21.45	21.95
January 1983	268.7	262.1	69.96	82.35	20.15	20.58	21.20	21.22
February	268.3	260.8	69.25	77.49	19.63	19.18	21.05	20.76
March	268.7	257.0	69.45	79.95	19.55	20.03	20.93	22.04
April	269.5	257.6	71.27	82.98	20.73	22.37	21.05	22.06
May	270.8	258.3*	74.43	82.65*	21.14	21.68*	21.20	22.36*
June	271.4	259.5	74.96	83.60	21.45	22.03	21.38	22.39
July	272.1	260.7	76.22	84.92	21.83	22.26	21.50	22.32
August	273.3	262.2	76.12	85.15	21.65	22.15	21.55	22.20
September	274.2	263.4	76.74	86.61	21.89	22.05	21.55	22.16
October	276.5	264.9	78.29	87.26	22.03	22.49	21.78	22.31
November	278.9	266.9	80.43	87.20	22.42	22.60	21.92	22.39
December	280.6	268.2	80.99	87.15	22.69	22.67	22.12	22.45
January 1984	282.7	270.3	81.65	88.20	22.75	22.88	22.15	22.48
February	285.3	271.5	84.15	88.92	22.93	22.95	22.28	22.62
March	287.9	273.1	86.28	89.45	23.05	23.21	22.41	22.75

	Business Inventories		Defense Shipments		Industrial Production		Capacity Utilization	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
December 1982	507.5	512.3	5.01	5.10	134.7	135.2	67.2	67.5
January 1983	505.3	507.6	5.15	5.43	135.9	137.4	67.9	68.5
February	504.9	508.4	5.24	5.25	136.3	138.0	68.1	68.9
March	506.3	502.9	5.33	5.12	137.0	139.7	68.5	69.8
April	507.6	502.9*	5.42	5.25	138.6	142.6	69.4	71.1
May	509.0	504.3	5.53	5.38*	139.7	144.5*	70.1	71.9*
June	510.0	506.8	5.62	5.43	140.5	145.2	70.5	72.2
July	511.3	509.3	5.70	5.49	141.1	145.8	70.8	72.4
August	513.1	512.3	5.77	5.58	141.7	146.5	71.1	72.7
September	514.8	514.8	5.84	5.70	142.4	147.8	71.6	73.3
October	516.9	517.6	5.98	5.78	143.7	148.2	72.5	73.4
November	520.4	521.3	6.12	5.91	145.4	148.5	73.5	73.5
December	524.3	523.8	6.26	6.05	146.0	149.1	73.8	73.7
January 1984	527.3	528.1	6.33	6.18	146.5	149.9	74.1	74.0
February	531.4	530.4	6.43	6.23	147.1	150.3	74.5	74.1
March	535.0	533.7	6.55	6.40	147.7	150.7	74.8	74.2

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MISCELLANEOUS

	Merchandise Trade Balance		Leading Indicators		Estimated GNP		Estimated GNP (1972 $)		IVA (annual rate)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
December 1982	-3203	-2808	134.6	141.2	3123	3128	1484	1485	15.6	13.8
January 1983	-2865	-2628	136.5	145.6	3145	3161	1485	1488	10.0	7.3
February	-3142	-2689	136.0	147.6	3153	3165	1479	1484	4.6	0.2
March	-3458	-2774	137.7	150.7	3179	3186	1481	1486	5.8	-4.2
April	-2572	-3745	138.3	152.4	3221	3230	1495	1498	9.4	-1.2
May	-3016	-4327*	139.0	154.3*	3255	3259	1504	1506	15.5	2.7
June	-2609	-4785	140.2	153.8	3286	3285	1511	1514	16.5	6.3
July	-2447	-4126	140.0	154.0	3302	3310	1512	1520	17.2	10.5
August	-3164	-5023	141.1	154.6	3324	3336	1516	1527	13.6	10.2
September	-3962	-5543	141.6	155.2	3345	3361	1519	1533	16.6	11.6
October	-3047	-5442	142.5	156.0	3383	3389	1529	1538	17.1	9.7
November	-3662	-5261	142.3	156.6	3418	3414	1537	1544	18.0	10.5
December	-3880	-5546	142.7	157.0	3454	3444	1546	1553	18.9	12.8
January 1984	-3542	-5072	142.9	156.8	3470	3465	1546	1556	18.0	13.5
February	-3385	-5342	143.8	156.5	3492	3486	1549	1559	18.3	13.3
March	-3264	-5117	144.5	158.3	3510	3512	1550	1564	18.6	14.1

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FINANCIAL MARKETS

	Monetary Base		M1		M2		Federal Funds		T-Bills (6 Mos.)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
December 1982	183.5	183.5	478.5	478.2	2008.1	1959.5	8.95	8.95	8.16	8.16
January 1983	184.9	185.0	482.7	482.1	2028.2	2008.1	8.26	8.68	8.05	7.93
February	186.2	187.4	486.6	491.1	2055.3	2048.2	8.02	8.51	8.01	8.23
March	187.5	190.0	490.5	497.6	2077.0	2067.2	8.20	8.77	8.05	8.37
April	188.7	191.0	492.8	496.5	2087.0	2072.7*	8.78	8.80	8.67	8.30
May	189.6	192.6	492.5	506.3	2096.8	2097.6	9.36	8.65	8.92	8.20*
June	190.5	193.7*	494.0	507.9*	2106.6	2110.2	9.61	8.76*	8.93	8.63
July	191.6	194.6	496.3	509.3	2125.3	2120.2	9.02	8.72	8.74	8.57
August	192.8	195.6	498.7	511.2	2138.0	2132.3	9.27	8.53	8.56	8.43
September	194.0	196.7	501.2	513.5	2150.7	2146.2	9.85	8.27	8.86	8.16
October	195.2	198.0	504.3	516.2	2167.4	2161.8	9.90	8.25	9.07	8.09
November	196.3	199.3	506.2	518.6	2185.5	2178.3	9.97	8.16	9.28	7.83
December	197.4	200.9	508.4	521.7	2205.1	2197.8	9.92	8.05	9.49	7.75
January 1984	198.6	201.9	510.6	525.7	2218.3	2219.0	9.75	7.93	8.92	7.61
February	199.7	203.1	512.7	528.2	2229.0	2236.2	9.22	7.86	8.63	7.49
March	200.8	204.3	514.8	531.6	2239.7	2257.3	8.75	7.75	8.46	7.43

	Aaa (Seasoned)		Municipals (Bond Buyer)		(6 Month) Commercial Paper		90 Day CD's		Prime Rate	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
December 1982	11.83	11.83	9.96	9.96	8.51	8.50	8.66	8.80	11.50	11.50
January 1983	11.73	11.79	9.46	9.50	8.16	8.15	8.37	8.36	11.22	11.16
February	11.61	12.01	9.27	9.58	7.96	8.39	8.15	8.54	11.00	10.98
March	11.67	11.73	9.15	9.20	8.15	8.48	8.37	8.69	11.00	10.50
April	11.76	11.51	9.37	9.11	8.66	8.48	8.79	8.63	11.28	10.50
May	11.95	11.45*	9.35	9.10*	9.27	8.35*	9.46	8.47*	11.95	10.50*
June	12.08	11.86	9.52	9.68	9.58	8.62	9.75	8.93	12.00	10.50
July	12.01	12.09	9.37	9.83	9.15	8.78	9.37	9.02	12.00	10.50
August	12.05	11.85	9.42	9.65	9.34	8.59	9.53	8.75	12.00	10.50
September	12.09	11.68	9.51	9.46	9.89	8.22	10.07	8.53	12.27	10.50
October	12.16	11.59	9.62	9.32	10.06	8.16	10.26	8.42	12.50	10.50
November	12.30	11.43	9.71	9.20	10.17	8.05	10.38	8.36	12.35	10.50
December	12.47	11.31	9.83	9.11	10.12	8.02	10.32	8.27	12.16	10.50
January 1984	12.20	11.26	9.65	9.05	9.94	7.85	10.14	8.16	12.00	10.26
February	12.15	11.03	9.60	8.86	9.36	7.62	9.56	7.87	12.00	9.93
March	12.13	10.95	9.52	8.81	8.85	7.65	9.05	7.89	12.00	9.75

Fore. = February Forecast
C.E. = Current Expectations
* this item, and those beyond it, are projections.

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Georgia State University
a unit of the university system of georgia

university plaza
atlanta, georgia 30303

college of business administration
economic forecasting project
404 658 3282

MONTHLY PROJECTIONS
FOR APRIL
Issued July 27, 1983

RECOVERY IS NORMAL BUT SAVINGS ARE NOT

Once retail sales activity was revised upward sharply in May, GNP gains in excess of 8% for the second quarter were a foregone conclusion. The consumer responded dramatically during the second quarter. The 8.7% advance in real economic activity occurred with the aid of a 10% expansion in real consumer spending. Normally, inventory liquidations would have been terminated at this stage of the cycle. However, the surge in consumer activity has been so abrupt that production schedules have not been able to keep up. As a result, inventories continued to be liquidated at a $4.5 billion real rate during the second quarter. Therefore, significant production gains are necessary during the third quarter to begin the process of increasing inventories to meet the increased sales levels. Inventory investments also will be a factor in adding to economic activity during the fourth quarter, although significant contributions from inventory investments will decline dramatically early in 1984.

Although a 10% real expansion in consumer activity, led by substantial gains in durable goods purchases, is not unusual at the early stages of an economic recovery, the accompanying 2 percentage point decline in the personal savings rate is slightly above normal recovery performance. Moreover, the level of savings, at a 3.3% rate in June, the lowest level since the Korean War, certainly is surprising. Obviously, the substantial increase in the market value of household wealth has permitted the household sector to carry a surprisingly low level of savings. At current market prices, our analysis suggests that households currently are carrying 3.2 years of spending in their portfolios. There is some evidence that the distribution of wealth is more unequal than in recent years, suggesting that a higher than normal ratio of wealth to spending may prevail. However, the 3.2 years of purchasing power is nearly 7% above previously preferred levels. Thus, some liquidation of wealth holdings for the purpose of replacing consumer durables certainly is not surprising.

Most of the data revisions were in the consumer and household income areas. Corporate profits were only reduced from preliminary estimates by $5 billion in the first quarter of 1983, while inflation adjusted GNP was almost identical to

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the unrevised data. The GNP deflator did not grow as rapidly as originally expected, as price increases in the service sector were revised downward by nearly a full percent from preliminary estimates. The share of consumption in real GNP was revised upward by a full percentage point, while net exports were reduced along with construction activity to offset the consumption changes. About half the data revision was in the imputed housing accounts, which also affected the rental incomes earned by households. Except for the unusually low levels of savings, the data revisions did not substantially alter the pattern of economic activity.

Unfortunately, the low level of household savings and the degree to which savings has declined in the last six months largely explain why interest rates have been under significant upward pressures in recent weeks. Some upward pressures were anticipated, as consumers were expected to spend their tax reductions before they received them. However, the degree of reduction in savings, a decline of $45 billion in the last three months, far exceeds our anticipations. A result of this rapid savings liquidation is at least the partial conversion of wealth holdings into consumables. The savings rate now is expected to remain relatively low for the remainder of the year. This means that interest rates will remain higher than our analysis previously expected.

Partially offsetting this adverse effect upon credit markets from household savings is a more modest government deficit late in 1983 and in 1984 than originally expected. After a deficit of nearly $215 billion for the current fiscal year, the deficit is expected to recede to $170 billion in FY 1984. However, this reduced government deficit is not enough to fully offset the estimate of reduced savings supplied by the household sector. Interest rates still should begin to trend downward late this year, as household savings begin to rise and as the government deficit begins to recede.

Quarterly Profile of GNP

	1983-I	1983-II	1983-III	1983-IV	1984-I	1984-II
Real	2.6	8.7	6.7	5.0	4.7	3.9
Price	5.5	4.5	3.7	4.9	5.4	5.5
Nominal	8.2	13.5	10.6	10.3	10.3	9.6

Monthly Statistical Highlights
for July 1983

Payroll employment, +285,000; index of hours worked, +0.5%; household employment, -343,000; civilian unemployment, 9.9%; personal income, +0.7%; savings rate, 4.4%; personal consumption, +0.7%; retail sales, +0.3%; auto sales, 9.4 million units; housing starts, +1.0%; housing permits, -1.1%; construction expenditures, +2.7%; business inventories, +0.9%; orders for durable goods, -2.6%; orders for nondefense capital goods, +0.4%; industrial production, +0.9%; CPI, +0.3%; PPI, +0.0%; consumption deflator, +0.3%; leading indicators, +0.4%; M1, +4.3%; M2, +7.0%.

Monthly Statistical Highlights
for August 1983

Payroll employment, +218,000; index of hours worked, +0.3%; household employment, +245,000; civilian unemployment rate, 9.8%; personal income, +0.5%; savings rate, 4.3%; personal consumption, +0.6%; retail sales, +0.7%; auto sales, 9.6 million units; housing starts, -1.1%; housing permits, -3.3%; construction expenditures, +2.4%; business inventories, +0.5%; orders for durable goods, +0.7%; orders for nondefense capital goods, +0.9%; industrial production, +0.7%; CPI, +0.4%; PPI, +0.3%; consumption deflator, +0.3%; leading indicators, +0.2%; M1, +3.8%; M2, +6.3%.

COMMENTARY

Employment

The under-employment for teenagers was dramatically reversed in June, as the household survey grew by 1.2 million jobs. A large portion of this increase clearly reflected a later than normal survey, which measured more teenagers at work rather than in school than the seasonals anticipate. As a result, household employment and the labor force should fall back by several hundred thousand in July. As this surge of teenage activity probably led to higher unemployment rates than otherwise would have prevailed, a more significant decrease in the civilian unemployment rate than those currently anticipated is possible.

The 344,000 expansion in payroll employment is especially dramatic, as the late reporting season captured fewer teachers at work than the seasonals normally expect. Of course, some teenagers were measured in the surge in retail and service employment that was captured in that month. Nevertheless, payroll employment probably will be increased in July as a result of nearly a 100,000 increase in government payrolls. In addition, an extension of the workweek in manufacturing suggests that further employment gains in that sector are likely. Thus, another large increase in payroll employment now appears likely in July. The hourly earnings index is now only 4.6% above previous year levels and is growing at less than a 4% annual rate in the most recent three month period.

Personal Income and Outlays

Although the 0.5% increase in personal income during June appears deceptively soft, the absence of a retroactive wage payment to postal employees in June accounted for most of the slowing. Of course, the economic recovery is reducing the need for unemployment compensation, leading to declines in transfer payments. Further small declines in transfers are likely in the next few months. Partly offsetting this will be a reacceleration of interest income now that interest rates have once again begun to firm.

Adjustments in payroll taxes should lead to increases in personal savings in July, although the rate of savings remains at unusually low levels. A modest reduction in auto sales during July should be largely responsible for a decline in durable sales from June levels. Continued moderation in inflation rates for nondurable goods will also restrain expenditures growth in that category.

However, a heat wave will dramatically increase the purchase of utilities in July. As a result, the service component will grow more rapidly in that month than in earlier months. Because the service components are not included in retail sales, this will explain a relatively large discrepancy between retail activity, which is expected to show minimal growth in the month, and consumer spending.

Housing and Construction

Most of the reports concerning modest declines in housing starts during June ascribe that weakness to rising mortgage rates. As mortgage rates have continued to increase, that would imply that housing starts should decline further in the next few months. However, that explanation is not appropriate.

Unusually wet weather in April disrupted construction activity. Therefore, some catchup activity was included in May. As activity in June returned to more normal levels, a natural decline from the hectic May pace was likely. According to this explanation, housing starts could advance further in the next few months. Indeed, housing permits strongly suggest that further increases in starts are in the offing. However, some of the unutilized permits are in multiple family units, where builders may be having second thoughts about their level of construction. Certainly, multi-family activity appears to be excessive in the Texas and Florida markets.

Even if housing starts show little further improvement, construction expenditures for residential activity should continue to grow rapidly for the remainder of this year. More modest increases are then anticipated in the first half of 1984. This rapid activity is the result of completions finally catching up to the rapid housing starts that are currently developing.

Although public construction has not yet improved, the distribution of new highway funds should begin to be reflected in public construction during the summer months. This explains why public construction is expected to grow rapidly in the next twelve months, despite its declines early this year

Nonresidential construction probably has bottomed out, although the strong increase in May appears to be related to construction of utilities, where current backlogs suggest that activity will gradually be subsiding. Capactity utilization remains low, but some increase in nonresidential activity now appears to be developing.

Business Activity

Inventory liquidations appear to have ended in May. While wholesalers liquidated inventories in that month, retailers substantially added to their inventories. In addition, manufacturers began to add to their stocks. Strong increases in industrial production during June despite some softening in consumer spending growth probably indicate that further inventory restocking has occurred. Indeed, significant inventory accumulations now appear to be likely in the summer months.

Defense shipments should now begin to accelerate to reflect the continuing accumulation of order backlogs. In June, a dramatic increase in defense orders

distorted the increases in durable goods. As such increases are unlikely to be replicated in July, some easing of durable goods orders are likely in that month. On the other hand, nondefense capital goods orders and shipments have been influenced by unusual aircraft activity. As aircraft orders and shipments will not be sustained, some moderation in nondefense capital goods orders may develop in the summer. Shipments, on the other hand, should not be significantly impacted by these orders adjustments.

The Federal Reserve has altered its measure of capacity utilization to include activities in mines and utilities. We have not yet had enough time to determine whether this expanded measure continues to have the same relationship to investment activity as the more narrowly defined measure. In general, utilization continues to move in the same proportion as changes in industrial production. If the utilization figures create comparable changes in investment desires, investment for expansion purposes could begin to develop as early as the first quarter of 1984. If so, investment activity will be stronger and develop a little sooner than previously expected. This reduces the likelihood that the economy will completely stall out in the early months of 1984.

Prices

Excluding food and energy, the inflation rate has averaged about 0.3 percentage points per month since the beginning of this year. Early in the year the energy component was causing a reduction of inflation from that level. More recently, increases in both vegetables and energy have led to increases above that rate. While hot weather may have a modest impact upon food inflation in 1984, any impact in 1983 will be in the meat sector, where anticipated increases in feed costs will lead to increased slaughters and declining prices. While some modest acceleration of inflationary pressures is anticipated as the recovery progresses, the degree of acceleration does not appear to be significant. In fact, early indications of price increases for automobiles are below our previous estimates, leading to downward adjustments in price estimates for consumer durables. In addition, medical and housing costs are beginning to grow more slowly than in previous months, leading to further slowing in the price changes for services. The only area where prices are rising dramatically is in the construction sector, where the deflator is growing at nearly a 1% monthly clip. Even this rapid rate of increase is expected to slow now that building materials prices once again are moderating. Nevertheless, the construction deflator is expected to grow more rapidly than in previous projections.

Miscellaneous

Restocking of oil inventories has led to a dramatic deterioration in the merchandise trade balance in May. As this restocking is not yet complete, further deterioration seems likely in the months ahead. In effect, a large percentage of the surge in consumer activity is being met by foreign production. Ultimately, these sharp increases in trade deficits must lead to some weakening in the dollar. However, downward adjustments in interest rates probably must develop before the dollar begins to weaken.

Because vendors' deliveries are becoming very slow and most of the other indicators also are rising, another dramatic increase in the leading indicators

is developing in June. Further rapid increases do not appear to be likely in the months ahead, however.

Financial Markets

Sharp reductions in household savings appear to be responsible for most of the rapid increase in interest rates during the second quarter. Of course, the rapid increase in portfolio values and the sharp gains in GNP explain much of the dramatic increase in the demand for money in the second quarter. Portfolio gains should not be as dramatic in the summer months while the rate of growth in economic activity should gradually slow. Indeed, the demand for currency already has slowed sharply, showing no growth in the last four weeks. This suggests that gains in monetary aggregates should fall within the Federal Reserve targets before the end of summer. If so, downward pressures upon federal funds rates could develop at that time. As the savings position of households and the deficit positions of the government both will be improving, a significant decline in short-term interest rates is likely toward the end of the year. This decline also is being reflected in our estimates for long-term securities. Indeed, the downward adjustment in long-term securities might be greater, while the sensitive short-term rates may not fall quite as dramatically as contained in these estimates. The reason for this deviation from our anticipated patterns is the possibility that the underlying yield curve has become more flat as the result of regulatory changes that have led to more expensive bank credit. However, this flattening of the yield curve has not yet been incorporated in our interest rate analysis.

Fortunately, the registration problem and the WPPSS difficulties in the tax-exempt market already are reflected in the bond prices. Indeed, the ratio of municipals to Aaa's has continued to improve, suggesting that long-term interest rates have no significant upward pressures at the present time. Another early warning of rising long-term interest rates, the gap between Aaa and Baa rates, has stabilized but has not increased. Under these circumstances, investments in long-term bonds appear to be reasonable speculations.

The gap between the CD rate and the prime rate has become unusually narrow. Apparently, banks are reluctant to raise their prime until withholding has been repealed and the IMF injection of funds has been endorsed or defeated. As these decisions are expected to be reached by the time of the summer recess during the first week of August, the prime rate should then rise to the vicinity of 11.5%. As sensitive short-term rates decline, however, prime rates should once again begin to move downward until a level approaching 10% is reached early in 1984.

While rates currently are higher than originally expected, it should be noted that an increase in sensitive short-term rates was expected to develop during the summer months in our May forecast. Only the magnitude, not the timing, of that intensification has been altered. Also, while all monetary aggregates are growing more rapidly than expected, the growth in the monetary base is only marginally above earlier projections. What has developed is a dramatic increase in transactions and money market deposits relative to the monetary base. In recent weeks transactions deposits have been growing at the expense of currency. Unless this condition is soon reversed, it must be concluded that the growth in those deposits has no relationship to expenditures at the present time.

Because of the sharp change in the portfolio use of money, the Federal Reserve was correct in ignoring the rapid growth rates in the money supply that developed in the first half of 1983. It was also correct in believing that these adjustments were one-time developments that should not continuously alter the growth rates of monetary aggregates. Thus, the reimposition of monetary targets on top of a swollen monetary base is prudent and noninflationary under current conditions. Once the markets realize that the Federal Reserve has not caved in to inflationary pressures, they could provide more dramatic improvement in long-term rates than currently is anticipated in our projections. Hopefully, we will be able to revise long-term interest rates downward sharply in our next forecast.

Stock Market

A downward revision in corporate profits during the first quarter normally would lead to lower estimates of equity values. However, the economy is recovering more rapidly than originally anticipated, leading to upward revisions in the growth of corporate profits in subsequent quarters. On the other hand, long-term interest rates have been revised upward slightly to reflect the higher rates currently prevailing in those markets. When all these factors are put into our stock market evaluations, a slight decrease in investment objectives is warranted. However, the decrease is very minimal, only lowering our Dow Jones objective for 1983 to the vicinity of 1350. It remains too early to liquidate stock market holdings.

7/27/83

EMPLOYMENT

	Payroll Employment		Index of Hours Worked		Household Civilian Employment		Civilian Unemployment Rate		Hourly Earnings Index	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
March 1983	88854	88814	103.4	103.1	99103	99103	10.3	10.3	153.4	153.4
April	89020	89101	103.7	104.0	99246	99458	10.4	10.2	154.0	154.0
May	89176	89416	103.7	105.0	99407	99557	10.4	10.1	154.6	154.7
June	89355	89760	103.9	105.7	99611	100786	10.4	10.0	155.2	154.8
July	89626	90045*	104.3	106.2*	99851	100446*	10.3	9.9*	155.8	155.4*
August	89802	90263	104.7	106.5	100008	100688	10.2	9.8	156.4	155.9
September	89973	90526	105.2	106.8	100204	100988	10.1	9.7	157.1	156.5
October	90187	90735	105.4	107.2	100442	101251	10.1	9.6	157.8	157.1
November	90432	90968	105.5	107.5	100738	101483	10.1	9.6	158.4	157.8
December	90686	91161	105.7	107.8	100967	101707	10.0	9.5	159.0	158.5
January 1984	90865	91385	106.0	108.0	101121	101906	10.0	9.5	159.7	159.2
February	91006	91542	106.3	108.2	101434	102095	9.9	9.5	160.5	159.8
March	91159	91796	106.6	108.6	101726	102388	9.8	9.4	161.3	160.5
April	91362	91983	106.8	108.8	101907	102629	9.8	9.3	161.9	161.2
May	91579	92165	107.0	109.1	102076	102857	9.8	9.3	162.5	161.9
June	91793	92347	107.2	109.4	102245	103090	9.8	9.2	163.1	162.5

PERSONAL INCOME

	Personal Income		Wage & Salary		Personal Savings		Disposable Income		Personal Outlays	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
March 1983	2.662	2.670	1.603	1.617	146.2	120.3	2.262	2.267	2.116	2.146
April	2.680	2.691	1.615	1.632	135.5	104.5	2.276	2.289	2.140	2.184
May	2.693	2.721	1.623	1.653	126.3	88.1	2.285	2.306	2.159	2.217
June	2.707	2.734	1.632	1.663	130.0	75.4	2.306	2.314	2.176	2.239
July	2.724	2.754*	1.646	1.679*	149.6	103.3*	2.339	2.357*	2.189	2.254*
August	2.744	2.768	1.658	1.689	142.5	100.7	2.347	2.368	2.204	2.268
September	2.765	2.785	1.670	1.700	136.0	99.6	2.356	2.381	2.220	2.281
October	2.785	2.805	1.683	1.716	143.2	101.7	2.379	2.397	2.236	2.295
November	2.803	2.821	1.692	1.728	147.3	100.4	2.397	2.410	2.250	2.310
December	2.823	2.840	1.702	1.741	149.3	102.2	2.414	2.424	2.265	2.322
January 1984	2.830	2.857	1.715	1.752	147.5	99.5	2.428	2.438	2.280	2.339
February	2.853	2.872	1.727	1.762	146.1	95.4	2.441	2.448	2.295	2.353
March	2.877	2.890	1.739	1.776	146.8	97.9	2.461	2.462	2.314	2.364
April	2.892	2.906	1.750	1.787	148.7	100.6	2.477	2.474	2.328	2.373
May	2.907	2.925	1.760	1.800	149.5	96.9	2.493	2.488	2.343	2.391
June	2.923	2.942	1.771	1.812	150.4	102.4	2.505	2.502	2.355	2.399

Fore. = May Forecast
C.E. = Current Expectations
* This item, and those beyond it, are projections

CONSUMPTION

	Personal Consumption		Durables		Nondurables		Services		Consumption Real	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
March 1983	2054.5	2084.6	254.6	259.6	774.4	780.1	1025.8	1044.9	971.4	990.8
April	2078.6	2122.3	260.7	270.6	784.7	786.6	1033.2	1065.2	976.5	1000.0
May	2097.4	2155.3	265.3	277.5	790.6	805.2	1041.5	1072.5	980.0	1012.8
June	2113.3	2176.4	266.9	286.3	796.5	807.5	1049.9	1082.6	981.8	1018.4*
July	2126.7	2191.1*	270.1	284.5*	799.3	811.3*	1057.3	1095.3*	985.4	1022.1
August	2140.9	2205.2	273.5	287.8	802.3	814.7	1065.1	1102.7	988.9	1025.4
September	2156.6	2218.4	277.2	290.3	806.5	818.5	1072.9	1109.6	993.0	1027.5
October	2172.2	2232.1	280.4	291.5	811.4	822.3	1080.4	1118.3	996.8	1029.6
November	2186.2	2246.1	281.7	294.1	816.0	826.2	1088.5	1125.8	998.5	1032.4
December	2200.7	2258.0	283.0	294.5	820.9	829.9	1096.8	1133.6	1000.3	1033.1
January 1984	2215.0	2274.5	286.2	297.3	825.3	834.3	1103.5	1142.9	1002.7	1036.0
February	2230.6	2287.4	289.7	297.7	829.5	838.2	1111.4	1151.5	1005.7	1037.1
March	2248.4	2298.6	293.3	299.5	832.8	841.3	1122.3	1157.8	1009.6	1037.1
April	2262.8	2307.6	295.5	301.2	837.5	840.9	1129.8	1165.5	1011.1	1037.0
May	2277.3	2324.9	297.1	305.1	842.7	846.2	1137.5	1173.6	1013.3	1040.3
June	2288.3	2333.1	296.3	304.7	847.9	848.5	1144.1	1179.9	1013.7	1038.8

RETAIL SALES

	Retail Sales		Non-Auto Durables		Auto (Million Units)		Nondurable Sales		Auto Sales	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
March 1983	91.52	93.26	11.89	12.36	8.7	8.2	63.76	64.10	15.87	16.80
April	93.07	95.45	12.22	12.51	8.9	8.4	64.61	64.78	16.24	18.16
May	94.05	98.42	12.53	12.91	9.0	9.2	65.09	66.41	16.43	19.10
June	94.72	99.12	12.59	12.99	9.0	9.6	65.58	66.75	16.55	19.39
July	95.30	99.24*	12.57	13.13*	9.2	9.4*	65.81	67.06*	16.92	19.05*
August	95.92	99.90	12.57	13.10	9.4	9.6	66.06	67.35	17.29	19.45
September	96.66	100.50	12.60	13.20	9.6	9.7	66.40	67.67	17.66	19.63
October	97.42	100.95	12.77	13.28	9.7	9.7	66.81	67.98	17.84	19.69
November	97.94	101.56	12.82	13.36	9.7	9.8	67.19	68.30	17.93	19.90
December	98.68	101.91	12.79	13.35	9.9	9.8	67.59	68.60	18.30	19.96
January 1984	99.19	102.60	12.75	13.36	10.0	10.0	67.95	68.97	18.49	20.27
February	100.02	103.06	12.86	13.46	10.2	10.0	68.30	69.29	18.86	20.31
March	100.59	103.71	12.97	13.57	10.3	10.2	68.57	69.54	19.05	20.60
April	101.22	103.87	13.15	13.53	10.3	10.3	68.96	69.51	19.11	20.83
May	101.81	104.76	13.20	13.60	10.3	10.5	69.38	69.95	19.23	21.21
June	102.16	104.90	13.43	13.66	10.1	10.4	69.81	70.14	18.92	21.10

Fore. = May Forecast
C.E. = Current Expectations
* This item, and those beyond it, are projections.

CONSTRUCTION

	Housing Starts		Single Family Starts		Housing Permits		Construction Expenditures (Current)		Construction Expenditures (Real)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
March 1983	1.616	1.647	1.028	1.061	1.415	1.467	255.5	241.9	160.5	154.6
April	1.507	1.506	0.965	1.001	1.363	1.536	259.2	245.6	162.3	156.1
May	1.523	1.799	0.982	1.187	1.411	1.635	261.4	253.0	163.2	159.3
June	1.554	1.747	0.997	1.103	1.432	1.745	264.1	259.8*	164.4	162.3*
July	1.578	1.765*	1.015	1.154*	1.465	1.726*	265.2	266.8	164.7	165.5
August	1.615	1.745	1.023	1.163	1.504	1.669	266.9	273.1	165.4	168.3
September	1.625	1.736	1.031	1.188	1.482	1.653	268.8	278.8	166.1	170.7
October	1.648	1.731	1.044	1.202	1.516	1.613	271.4	283.2	167.2	172.4
November	1.663	1.736	1.059	1.223	1.529	1.626	273.8	288.2	168.2	174.6
December	1.680	1.695	1.074	1.146	1.543	1.582	276.4	293.1	169.4	176.6
January 1984	1.701	1.711	1.092	1.145	1.568	1.585	278.3	296.0	169.3	177.5
February	1.715	1.762	1.108	1.192	1.583	1.627	280.2	299.1	170.4	178.2
March	1.729	1.789	1.105	1.207	1.597	1.656	282.1	301.1	171.0	178.6
April	1.755	1.788	1.126	1.211	1.628	1.659	284.8	304.0	172.1	179.4
May	1.736	1.768	1.118	1.186	1.611	1.627	287.7	306.0	173.2	179.7
June	1.744	1.793	1.130	1.223	1.620	1.635	290.5	308.6	174.3	180.2

CONSTRUCTION CONTINUED

	Private Non-Residential		Public Construction		Residential Construction	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
March 1983	105.8	98.8	51.4	47.0	98.3	96.1
April	105.2	96.0	51.2	47.6	102.8	102.0
May	104.7	98.7	51.0	47.3	105.7	107.0
June	104.2	99.5*	51.1	47.8*	108.8	112.5*
July	103.7	100.0	52.0	48.5	109.5	118.3
August	103.8	100.5	52.7	50.1	110.4	122.5
September	104.0	101.5	53.4	51.6	111.4	125.7
October	104.0	102.3	54.2	52.0	113.2	128.9
November	103.9	104.0	55.0	52.9	114.9	131.3
December	104.1	104.9	55.8	54.0	116.5	134.2
January 1984	104.4	105.0	56.2	54.5	117.7	136.5
February	104.8	106.5	56.5	55.0	118.9	137.5
March	105.3	107.0	56.8	55.3	120.0	138.8
April	105.6	108.1	57.4	55.8	121.8	140.1
May	106.0	108.7	58.0	56.1	123.7	141.2
June	106.4	109.8	58.6	56.5	125.5	142.3

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PRICES

	CPI-U (seasonally adjusted)		PPI Finished Goods (seasonally adjusted)		PPI-Industrial Commodities (unadjusted)		Estimated GNP Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
March 1983	293.8	293.8	283.1	283.1	313.4	313.4	2.1443	2.1341
April	295.7	295.6	283.6	282.8	314.0	312.6	2.1542	2.1456
May	297.1	297.1	284.3	284.2	315.3	313.8	2.1621	2.1522
June	298.2	297.7	285.0	285.0	316.7	315.4	2.1707	2.1573
July	299.5	298.6*	285.6	285.1*	317.3	316.7*	2.1783	2.1639
August	300.6	299.8	286.2	286.0	317.7	317.6	2.1835	2.1707
September	301.8	301.9	286.7	286.8	318.1	318.6	2.1889	2.1790
October	303.2	302.5	287.2	287.7	320.0	320.7	2.1996	2.1899
November	304.6	303.7	288.5	288.8	320.7	321.7	2.2105	2.1973
December	306.0	304.9	289.1	289.7	321.4	322.7	2.2224	2.2069
January 1984	307.2	306.4	290.0	290.6	322.8	323.8	2.2308	2.2167
February	308.3	307.7	291.1	291.4	323.8	325.0	2.2394	2.2272
March	309.4	308.9	291.8	292.0	324.9	326.1	2.2482	2.2375
April	310.9	310.4	292.6	292.7	326.0	327.3	2.2594	2.2468
May	312.5	312.0	293.5	293.5	327.0	328.5	2.2668	2.2567
June	314.1	313.6	294.3	294.3	328.1	330.0	2.2735	2.2678

	Consumption Deflator		Consumer Durables		Consumer Nondurables		Consumer Services		Implicit Construction Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
March 1983	211.5	210.4	177.2	176.5	210.1	210.9	223.5	220.6	159.2	156.5
April	212.9	212.2	178.1	177.9	211.9	212.6	224.7	222.9	159.7	157.4
May	214.0	212.8	179.3	177.4	213.2	213.9	225.8	223.5	160.2	158.8
June	215.2	213.7*	180.6	178.1*	214.5	214.6*	226.9	224.7*	160.6	160.1*
July	215.8	214.4	181.0	178.6	214.7	215.0	227.9	225.6	161.0	161.2
August	216.5	215.1	181.1	179.3	214.9	215.5	229.3	226.5	161.4	162.3
September	217.2	215.9	181.4	180.1	215.0	216.1	230.7	227.6	161.8	163.3
October	217.9	216.8	182.0	180.4	215.8	216.8	231.5	228.8	162.3	164.3
November	218.9	217.6	182.5	180.8	216.8	217.4	232.7	229.9	162.8	165.1
December	220.0	218.6	183.0	181.3	217.9	218.1	233.9	231.3	163.2	166.0
January 1984	220.9	219.6	183.7	182.1	218.7	218.9	235.0	232.5	163.8	166.8
February	221.8	220.5	184.4	182.8	219.4	219.8	236.2	233.6	164.4	167.8
March	222.7	221.6	185.1	183.3	220.1	220.7	237.4	235.0	165.0	168.6
April	223.8	222.5	185.6	184.1	221.1	221.3	238.8	236.2	165.5	169.5
May	224.7	223.5	186.2	184.8	222.0	222.2	239.9	237.4	166.1	170.3
June	225.7	224.6	186.9	185.5	222.9	223.3	241.0	238.6	166.7	171.3

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BUSINESS ACTIVITY

	Manufacturers Inventories		Durable Goods Orders		Non-Defense Capital Goods Orders		Non-Defense Capital Shipments	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
March 1983	262.4	257.3	80.46	79.95	19.65	20.03	20.95	22.04
April	262.0	257.4	84.21	83.41	20.43	22.59	20.86	22.13
May	262.8	258.4	87.65	84.77	21.06	22.30	21.05	21.61
June	264.0	260.7*	90.29	89.47	22.05	23.33	21.24	22.84
July	265.1	262.3	89.62	87.12*	21.93	22.94*	21.30	22.92*
August	266.2	264.1	90.45	87.75	21.87	23.15	21.35	23.00
September	267.0	265.0	91.37	88.61	22.05	23.05	21.32	23.06
October	268.9	265.9	92.26	90.30	22.43	23.49	21.53	23,31
'ovember	270.8	266.9	93.45	90.80	22.36	23.60	21.64	23.39
December	272.3	268.2	93.67	89.15	22.55	23.57	21.77	23.35
January 1984	274.2	270.0	95.26	92.20	22.71	23.88	21.85	23.48
February	276.5	271.3	96.43	93.92	22.95	23.95	21.94	23.52
March	278.7	272.8	94.63	94.45	22.78	24.21	22.03	23.75
April	281.1	274.1	95.24	96.01	23.12	24.46	22.15	23.91
May	283.4	276.0	96.25	97.86	23.10	25.02	22.25	23.98
June	285.3	277.8	96.73	96.29	23.15	24.93	22.38	24.15

	Business Inventories		Defense Shipments		Industrial Production		Capacity Utilization	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
March 1983	510.1	503.2	5.19	5.12	139.2	140.0	69.4	71.8
April	509.6	505.6	5.27	5.27	139.8	142.7	69.6	73.1
May	510.9	506.5	5.38	5.18	140.6	144.3	69.9	72.0
June	512.5	511.1*	5.50	5.31	141.3	145.9	70.2	74.5
July	514.2	515.6	5.61	5.43*	143.5	147.2*	71.2	75.1*
August	516.3	518.3	5.72	5.55	144.2	148.2	71.5	75.5
September	517.7	521.2	5.83	5.67	144.9	149.3	71.8	76.0
October	520.6	523.5	6.01	5.78	145.3	150.2	72.0	76.4
November	524.2	526.3	6.16	5.91	145.6	150.9	72.1	76.7
December	527.2	528.8	6.16	6.05	146.0	151.5	72.3	77.0
January 1984	531.1	531.1	6.28	6.18	146.5	152.1	72.5	77.3
February	534.6	535.4	6.53	6.33	147.6	152.6	73.0	77.5
March	539.1	538.7	6.63	6.50	148.7	153.0	73.5	77.7
April	543.5	541.2	6.70	6.59	149.0	153.5	73.6	77.9
May	547.9	544.9	6.85	6.65	149.4	153.8	73.8	78.0
June	552.0	549.6	6.92	6.78	149.8	154.3	74.0	78.2

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MISCELLANEOUS

	Merchandise Trade Balance		Leading Indicators		Estimated GNP		Estimated GNP (1972 $)		IVA (annual rate)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
March 1983	-2843	-2774	150.2	150.5	3196	3197	1490	1498	-1.1	0.3
April	-3065	-3697	153.4	152.6	3228	3242	1498	1511	6.7	9.6
May	-2958	-5948	154.5	154.5	3255	3278	1505	1523	10.4	9.2
June	-3645	-6553*	155.2	157.1*	3282	3301	1512	1530	14.8	7.6
July	-3125	-4926	156.0	157.8	3311	3330	1520	1539	12.6	9.7
August	-4043	-5823	156.9	158.1	3340	3356	1530	1546	10.5	10.2
September	-4965	-6543	156.7	158.9	3368	3386	1539	1554	11.1	11.6
October	-3625	-5442	158.0	159.0	3385	3416	1539	1560	14.6	10.7
November	-4592	-6261	158.8	158.7	3406	3439	1541	1565	15.5	11.5
December	-5483	-6546	159.5	159.3	3431	3467	1544	1571	15.3	11.8
January 1984	-5392	-5072	160.4	160.0	3459	3498	1551	1578	15.8	13.5
February	-4375	-6342	161.1	160.8	3487	3526	1557	1583	15.4	13.3
March	-4427	-6117	161.0	161.3	3515	3555	1563	1589	15.5	14.1
April	-4043	-6826	160.7	161.5	3543	3579	1568	1593	16.8	15.2
May	-4725	-6514	161.5	161.9	3565	3606	1573	1598	18.5	15.0
June	-5416	-5728	162.3	163.1	3588	3638	1578	1604	19.9	14.7

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FINANCIAL MARKETS

	Monetary Base		M1		M2		Federal Funds		T-Bills (6 Mos.)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
March 1983	190.0	189.9	497.7	497.6	2066.1	2069.9	8.77	8.77	8.37	8.37
April	191.1	191.3	497.2	496.5	2073.5	2074.8	8.55	8.80	8.11	8.30
May	192.0	192.5	498.5	507.4	2078.4	2097.1	8.43	8.63	8.01	8.20
June	192.9	194.6	499.4	512.0	2084.5	2115.2	8.50	8.98	8.36	8.89
July	194.2	195.3*	502.4	513.8*	2103.5	2127.2*	8.76	9.26*	8.53	9.25*
August	195.4	196.1	506.9	515.4	2122.5	2138.1	8.98	9.38	8.69	9.33
September	196.6	197.0	511.3	517.3	2141.1	2151.3	9.15	9.16	8.84	9.05
October	197.5	197.9	512.9	519.5	2153.2	2165.2	8.67	8.92	8.36	9.01
November	198.4	198.8	514.1	521.3	2164.8	2177.0	8.33	8.76	8.05	8.83
December	199.3	199.9	515.5	523.7	2176.3	2192.5	8.31	8.48	8.01	8.35
January 1984	200.6	200.9	519.6	526.4	2199.4	2210.4	8.55	8.27	8.23	8.16
February	201.9	201.7	525.7	528.7	2223.5	2226.7	8.67	8.25	8.55	8.10
March	203.2	203.3	531.3	533.1	2246.8	2249.7	8.42	7.95	8.46	7.83
April	204.4	205.0	529.6	537.5	2255.4	2273.9	8.13	7.83	8.07	7.72
May	205.6	205.9	531.2	539.9	2263.8	2290.9	8.05	7.99	7.76	7.75
June	206.8	206.7	533.0	541.6	2270.9	2305.0	8.28	8.28	7.89	7.94

	Aaa (Seasoned)		Municipals (Bond Buyer)		(3 Month) Commercial Paper		90 Day CD's		Prime Rate	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
March 1983	11.73	11.73	9.15	9.20	8.48	8.48	8.69	8.69	10.50	10.50
April	11.55	11.51	9.01	9.05	8.37	8.48	8.55	8.63	10.50	10.50
May	11.37	11.46	8.87	9.11	8.35	8.31	8.58	8.49	10.38	10.50
June	11.46	11.74	8.95	9.56	8.53	9.00	8.79	9.20	10.25	10.50
July	11.52	12.07*	9.16	9.55*	8.92	9.29*	9.15	9.45*	10.37	10.50*
August	11.55	12.21	9.19	9.65	9.07	9.41	9.36	9.67	10.50	10.92
September	11.61	12.05	9.25	9.50	9.21	9.22	9.53	9.43	10.50	11.23
October	11.47	11.89	9.13	9.33	8.69	9.01	8.89	9.22	10.50	11.00
November	11.18	11.73	8.89	9.17	8.48	8.85	8.71	9.06	10.50	11.00
December	11.09	11.51	8.81	8.95	8.41	8.52	8.53	8.77	10.50	10.76
January 1984	11.18	11.36	8.87	8.80	8.59	8.35	8.80	8.56	10.41	10.50
February	11.43	11.23	9.13	8.67	8.73	8.22	8.96	8.47	10.25	10.50
March	11.47	11.25	9.26	8.55	8.61	7.95	8.75	8.19	10.22	10.50
April	11.36	11.18	9.15	8.50	8.05	7.93	8.29	8.13	10.00	10.27
May	11.01	11.20	8.86	8.51	7.96	8.11	8.21	8.29	10.00	10.00
June	10.87	11.22	8.72	8.55	8.27	8.38	8.45	8.53	10.00	10.00

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Georgia State University
a unit of the university system of georgia

university plaza
atlanta, georgia 30303

college of business administration
economic forecasting project
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MONTHLY PROJECTIONS
FOR MAY

Issued August 16, 1983

HOT WEATHER IS WARMING UP INFLATION

At the present time, the economic recovery is on automatic pilot. There are, however, important decrepencies existing between the accumulation of housing starts, averaging 1.7 million in the first six months, and the number of housing completions, which number less than 1.4 million units. The inventory/sales ratio has also reached a 15 year low, suggesting that sales have spurted ahead of inventories in recent months. Economic activity should continue to expand vigorously despite evidence that interest rates once again are rising and that inflationary pressures may intensify slightly in 1984. This will continue until inventories once again overtake sales, and until completions become more consistent with prevailing housing starts.

Indeed, the interesting forecasting question at the present time is not what economic activity will do in the next six months (it will expand relatively vigorously) but rather what will happen to the economic recovery after these housing and inventory gaps have been eliminated. One negative factor, the rise in interest rates, already has been mentioned in our previous reports. Another problem which has now appeared is an exogenous inflation shock now being generated by the combined effects of bad weather and bad agricultural policy.

The impact of higher than expected interest rates will lower housing activity by the fourth quarter of this year. By the middle of 1984, housing starts are now expected to slip to 1.54 million units before rebounding later in that year. High interest rates also should inhibit the growth in consumer durables and prevent any reduction in savings rate. Thus, consumer support for the economy is expected to slow substantially in the months ahead, and the retail sales reports for July show the first tendency for the slowing of consumer activity. The hot weather, however, has increased utility purchases by $377 million above normal monthly payments, which is an annual rate in excess of $5 billion. For this reason, consumer outlays are not declining, even though retail sales are deteriorating slightly. The service component of consumer outlays will be slowing in August at which time an increase in consumer savings could possibly lead to modest downward pressures upon interest rates.

Although the Department of Agriculture continues to state that ample grain stocks are available to meet both the PIK and weather-related production shortages in 1983, the futures markets and the behavior of livestock raisers clearly says otherwise. Corn prices have now increased above $3.50 for food pro-cessors, while soybean prices have surged above $8.00 per bushels. Last years corn carryover was 3.5 billion bushels. Corn disappearance is expected to approach 7 billion bushels on the strength of a domestic disappearance of slightly less than 6 billion bushels and exports slightly in excess of 1 billion bushels. At that level of activity, desired carryover probably is about 1.3 billion bushels. To establish a preferred inventory holdings at the end of this crop year, production must therefore exceed 4.8 billion bushels or disappearance will fall below the 7 billion projected level.

As of August 1, expected yields of 99 bushels per acre would generate a corn crop of 5.24 billion bushels, about 0.5 billion in excess of desired inventory holdings. Good weather and the absence of any production curtailments could conceivably generate a crop of 1.5 billion bushels in excess disappearance next year. However, conditions have continued to deteriorate after the latest crop report, indicating that carryover could fall below preferred levels by the end of this year. While the prospects of adding to carryover next year remains real, this near term potential clearly has influenced grain prices and livestock raising behavior.

At any rate, the ample amount of wheat in the United States and the increased production of grains in other parts of the world suggest that no worldwide shortages of grain are likely. Such a statement cannot as easily be made for soybeans. The Soviet Union soybean crop appears to be disappointing, and Brazil's recent production also fell below previous year levels. While last years carryover exceeds 1.1 billion bushels, soybean disappearance could conceivably increase if the Soviet Union begins increasing their purchases. Moreover, the capacity to exceed projected disappearances for 1984 are not as ample as in the corn crop. As a result, a drop in soybean production to less than 1.7 billion bushels (a perfectly likely outcome as indicated in the August 1 crop report) production would be 1.4 billion bushels. Since conditions have continued to deteriorate, soybeans could be in short supply.

Except for a sharp increase in agricultural prices in the next two months, the impact of these reduced levels of production upon consumers will not be substantial during 1983. Agricultural production probably will fall even more than originally estimated, leading to possibly smaller changes in GNP during the fourth quarter than are contained in these projections. However, rapid liquidations of livestock herds should cause meat prices to fall more sharply in 1983 than expected. Thus, the net effect upon 1983 food prices from the reduced agricultural production could actually be negative, but only by a marginal amount.

In 1984, however, the reduced herds will finally lead to reduced meat slaughtering. Then, meat prices could begin to rise sharply. Indeed, if the Department of Agriculture establishes no crop support curtailment programs in 1984, the remaining livestock raisers may view profitability as returning late in that year. This would lead them to switch direction and reduce slaughters in order to rebuild herds. If so, meat prices could increase at nearly double-digit annual rates in the spring and summer months of 1984. Under these conditions, it now appears that grocery prices will be rising by 7% in 1984.

This is not sufficient to generate dramatically higher inflation rates in 1984. Wage rates will continue to be growing at a relatively modest 5% before adding nonwage compensation. The increase in Social Security taxes for employer and employee will add an extra percentage point to hourly wage compensations in 1984. Productivity gains should continue to be reasonably robust, however, increasing at slightly less than 2% according our current anticipations. The prices of industrial commodities should therefore, show less than a 5% rate of increase in 1984. However, the acceleration of food prices will start to intensify wage demands and re-ignite a modest inflationary spiral towards the year of next year.

With only minor adjustments, the current anticipations for these monthly indicators coincide with the monthly estimates in our August forecast. As each sector is addressed in the commentary, differences between the May and August forecasts will be discussed along with implications of the most recent monthly performance data.

Although the quarterly forecast gradually increased interest rates through the fourth quarter and then gradually reduced them, the monthly model suggests that interest rates currently may have spiked upward and are now declining. If so, interest rates will not quite reach the levels projected for the end of 1983, and they will be trending down before the end of this year. More will be said concerning the financial markets in the appropriate sector.

Quarterly Profile of GNP

	1983-I	1983-II	1983-III	1983-IV	1984-I	1984-II
Real	2.6	8.7	7.5	5.5	4.8	4.0
Price	5.5	4.5	4.6	5.2	5.4	5.0
Nominal	8.2	13.5	12.5	10.9	10.4	9.2

Monthly Statistical Highlights
for July 1983

Personal Income, 0.7%; Savings Rate, 4.6%; Personal consumption, 0.6%; Housing starts, +1.0%; Housing Permits, -1.1%; Construction expenditures, +1.2%; Business inventories, +0.8%; Order for durable goods, -3.1%; Orders for nondefense capital goods, -1.4%; Industrial Production, +0.9%; CPI, +0.3%; Consumption deflator, +0.3%, Leading Indicators, +0.6%.

Monthly Statistical Highlights
for August 1983

Payroll employment, +204,000; Index of Hours Worked, +0.3%; Household employment, +141,000; Civiliam Unemployment Rate, 9.4%; Personal Income, +0.8%; Savings Rate, 4.7%; Personal Consumption, +0.5%; Retail Sales, +0.7%; Auto Sales, 10 million units, Housing starts, +2.2%; Housing Permits, -2.4%;

Construction expenditures, +0.7%; Business inventories, +0.5%; Orders for durable goods, +0.5%; Orders for nondefense capital goods, -0.8%, Industrial production, +0.7%; CPI, +0.3%; PPI, +0.4%; Consumption deflator, +0.3%; Leading Indicators, +0.5%.

COMMENTARY

Employment

The 487,000 surge in employment during July was partially accomplished by an 119,000 increase in state and local payrolls. This increase probably is the result of seasonal characteristics and will not be duplicated. In August, the workweek will be shortened in the utility sector as a result of the strike by the Communications Workers. If the strike lasts into September, payroll employment could fall in that month, leading to significantly lower personal income estimates for September. Of course, a rebound in the payroll and wage and salary components will materialize once the strike has been settled.

Despite the more rapid rate of growth of employment than anticipated in May, hourly earnings continue to grow more modestly than expected three months ago. Thus far, no evidence of accelerating wage pressures has materialized. The increased strike activity, of course, may be a prelude to higher wage pressures. Nevertheless, accelerating wage pressures as a result of higher food prices are not expected to materialize until the spring of 1984. This explains why our hourly earning index remains below May projections until the spring, and then grows at a more rapid rate after that time.

Personal Income and Outlays

More rapid employment growth than originally anticipated is reflected in the fact that higher wage and salary levels are currently being generated than was anticipated in the May forecast. In addition, a shift in the cost of living adjustment for government retirees and Social Security recipients to the beginning of the calendar year will substantially modify the degree to which the higher Social Security taxes would normally depress personal income in January.

The most significant adjustments, however, continue to be in the savings area as a result of dramatically higher outlays than our May forecast expected. May. As mentioned in our previous projections, most of this increase in outlays is the result of data revisions, while the remainder reflects consumer activity responding to anticipated tax withholding adjustments, and the spending of a significant increase in the market value of wealth. Obviously, these outlays are not expected to rise dramatically in the next few quarters.

Now that we have an idea of the impact of the heat wave upon utility consumption, it is clear that consumer activity will not slow as much as would be implied by the decline in retail sales during July. The monthly projections do suggest that auto sales estimates are too generous in the August quarterly forecast. Some moderation in those projections, and in consumer outlays may be generated in the next report. As the heat wave is continuing, expenditures for services in August may not slow as much as the projections show, and the rebound in durables may also not be as significant.

Housing and Construction

As the builders exercise the backlog of permits they have accumulated, housing starts are expected to remain strong through the third quarter. The uptick in August may not occur, but an increase in housing starts during July appears to be warranted. However, the high interest rate environment has dramatically altered the direction of housing activity and construction as compared to our May forecast. Some commentators believe that the level of activity in multi-family homes, which reached 644,000 in June, far exceeds market absorption rates. As a result, most projections of declining housing starts assume that the majority of the weakness will occur in that sector. While our projections also show a significant decline in multi-family units, they do suggest that high mortgage rates will force some home buyers to defer and seek apartment living instead. Therefore, our multi-family declines are not as abrupt as those maintained by other forecasts. If this assertion is not correct, the decline in housing activity could be more substantial than currently projected.

In June, single family housing sales fell by 2.9% to 638,000. More significantly, the sales/inventory ratio rose to 5.7. Now that completions are beginning to accelerate, this inventory level should rise sharply. Indeed, housing sales could fall early in 1984.

The good news in housing is that the spurt in production costs has now subsided. In June the implicit construction deflator fell by 0.1%. Thus, the dollars spent on construction will grow much more slowly that originally projected, even as the level of real economic activity remains close to previous anticipations, at least until early in 1984 when high mortgage rates begin turn all construction activity downward.

Nonresidential construction expenditures rose significantly in June, as increases in utility activity surfaced. This increase is expected to be temporary, although some additions to manufacturing plant is expected to materialize early in 1984. However, the upward revisions in interest rates indicate that the magnitude of the expansion in nonresidential construction cannot be significant.

Business Activity

The surprising drop in manufacturing inventories in June was not caused by significant shipments to wholesalers, for their inventories have also declined for the second consecutive month. Retail inventories rose, but not sufficiently to offset those declines. It now appears that retailing inventories are approaching desired levels relative to sales while manufacturing and wholesaler inventories are lean relative to their levels of activity. Of course, the decline in retail sales during July may have added to retailer inventories in that month. If they begin to reduce orders, as expected, inventory balances should be achieved by the wholesalers and manufacturers early in the fourth quarter. In the interim, orders will begin to subside, but industrial production will continue to grow almost as rapidly as in recent months until those pipelines are refilled.

Prices

The implications of the current crop report upon prices for nondurable goods in the next twelve months is not fully reflected in our August forecast. Any upward revisions in those prices will be reflected and in highlighted next

month. However, prices are expected to remain well behaved for consumer durables and to slow significantly for consumer services. Thus, it is conceivable that the CPI will be growing more slowly in the next twelve months than expected three months ago even though the commodities portion, especially foods, is accelerating. Indeed, our pricing patterns currently show that there are divergent growth patterns between the two indices.

Miscellaneous

The trade deficit in June was smaller than anticipated, as exports increased by a surprising 9.3%. However, $900 million of the increase in exports reflects gains in aerospace shipments. Much of this equipment has been financed by grants through the Defense Department and is not expected to persist at those levels in subsequent months. Another $300 million reflects increased shipments of vessels, also not expected to continue at those levels. In addition, some foreign customers of agricultural products have begun to anticipate higher prices as a result of the PIK program, and are requesting early deliveries. Therefore, the acceleration in agricultural exports also may be an aberration. If so, the merchandise trade balance should deteriorate sharply in July and in subsequent months. Some deterioration is contained in our projections, although the degree of weakness may even exceed those increasingly unfavorable balances.

Financial Markets

Changes in interest rates over the last three months reveals a significant compression in those rates between quality classifications. Indeed, the gap between Baa and Aaa rates in July has narrowed to 1.16 percentage points, the lowest differential since 1979. Moreover, the differential between long-term treasuries and high quality corporate bonds has narrowed to less that 30 basis points. The latest quarterly funding auctions revealed that government borrowing rates have increased by nearly 2 percentage points at all stages of maturity. This compression is probably temporary and is being caused by the unusual supply relative to absorption coming out of the government sector. If so, peak interest rates have not yet occurred in the private sector or in the lower quality corporate bonds, although peak levels may be here or very near for treasuries. Of course, an alternative assessment would be that continued supplies of government bonds will continuously create compressions followed by upward interest rates for the private debt instruments until the government supply has subsided. The latter viewpoint is pessimistic, for the government supply shows no tendency to subside. Indeed, our forecast suggest that individuals must increase their holdings of government securities by 22% in 1984. As their total holdings of financial assets probably will not increase more dramatically than the growth of GNP (about 11%), periodic rate compression appears to be likely.

Our quarterly forecast suggests that the current growth in the monetary base is insufficient to sustain the current level of bank deposits. Unless the monetary base begins reaccelerating, a slowing of the money stock should soon develop. However, the monthly model strongly suggests that the quarterly forecast on money expansion is inappropriately low, at least in the next few months.

Although the interest rate projections imply that rates will continue to rise until the end of this year, changes in savings flows strongly suggest that

interest rates, at least for government securities, may be cresting at the end of August. Further increases in private debt instrument rates may be necessary in September to re-establish appropriate relative yields, resulting in a downward movement in rates before the end of this year. Contrary to the projections issued by several leading Wall Street economists certainly, rates are not expected to be any higher twelve months from now.

Stock Market

Projections of higher interest rates should have a negative effect upon equity values. According to our current formulas, an equilibrium, Dow Jones based upon a 15% increase in corporate profits during the second quarter and the prevailing interest rates, is no higher than 1200. It no longer appears likely that our previous Dow Jones Investment objectives for 1983 will be reached. Of course, if interest rates begin falling again before the end of 1983, the Dow Jones index could approach 1300. Our current feeling is that sufficient upside potential remains for investors to hold their current equity positions. However, new funds probably should initially be held in cash until further evidence of a decline in bond yields begins to surface. At that time, investments in long-term bonds could be rewarding, as the yields are very attractive and the potential for modest capital gains is significant. Unfortunately, most investors must come to realize that these increased interest rates and their impact upon economic activity in 1984 mean that significant gains in equity values are not likely over the next twelve months. Next year, total rates of return that are less than 15% may be all that the markets may provide.

EMPLOYMENT

	Payroll Employment		Index of Hours Worked		Household Civilian Employment		Civilian Unemployment Rate		Hourly Earnings Index	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
March 1983	88854	88814	103.4	103.1	99103	99103	10.3	10.3	153.4	153.4
April	89020	89090	103.7	104.0	99246	99458	10.4	10.2	154.0	154.0
May	89176	89421	103.7	105.0	99407	99557	10.4	10.1	154.6	154.6
June	89355	89832	103.9	105.7	99611	100786	10.4	10.0	155.2	154.8
July	89626	90319	104.3	106.3	99851	101285	10.3	9.5	155.8	155.2
August	89802	90523*	104.7	106.6*	100008	101426*	10.2	9.4*	156.4	156.0*
September	89973	90706	105.2	106.9	100204	101339	10.1	9.4	157.1	156.9
October	90187	91025	105.4	107.3	100442	101846	10.1	9.2	157.8	157.4
November	90432	91368	105.5	107.6	100738	102291	10.1	9.0	158.4	158.2
December	90686	91705	105.7	107.8	100967	102703	10.0	8.9	159.0	159.0
January 1984	90865	91896	106.0	108.1	101121	102955	10.0	8.8	159.7	159.7
February	91006	92071	106.3	108.3	101434	103048	9.9	8.7	160.5	160.3
March	91159	92243	106.6	108.6	101726	103165	9.8	8.6	161.3	161.0
April	91362	92488	106.8	108.9	101907	103499	9.8	8.5	161.9	161.7
May	91579	92693	107.0	109.1	102076	103767	9.8	8.5	162.5	162.5
June	91793	92898	107.2	109.3	102245	104038	9.8	8.5	163.1	163.3

PERSONAL INCOME

	Personal Income		Wage & Salary		Personal Savings		Disposable Income		Personal Outlays	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
March 1983	2.662	2.670	1.603	1.617	146.2	120.3	2.262	2.267	2.116	2.146
April	2.680	2.691	1.615	1.632	135.5	104.5	2.276	2.289	2.140	2.184
May	2.693	2.721	1.623	1.653	126.3	88.1	2.285	2.306	2.159	2.217
June	2.707	2.734	1.632	1.663	130.0	75.4	2.306	2.314	2.176	2.239
July	2.724	2.754*	1.646	1.679*	149.6	107.4*	2.339	2.360*	2.189	2.253*
August	2.744	2.775	1.658	1.690	142.5	110.7	2.347	2.375	2.204	2.264
September	2.765	2.798	1.670	1.706	136.0	116.0	2.356	2.390	2.220	2.274
October	2.785	2.820	1.683	1.720	143.2	115.9	2.379	2.409	2.236	2.293
November	2.803	2.841	1.692	1.730	147.3	118.5	2.397	2.429	2.250	2.311
December	2.823	2.862	1.702	1.741	149.3	120.1	2.414	2.448	2.265	2.328
January 1984	2.830	2.874	1.715	1.754	147.5	118.3	2.428	2.463	2.280	2.345
February	2.853	2.897	1.727	1.767	146.1	119.4	2.441	2.480	2.295	2.361
March	2.877	2.921	1.739	1.781	146.8	124.4	2.461	2.497	2.314	2.373
April	2.892	2.940	1.750	1.793	148.7	124.0	2.477	2.515	2.328	2.391
May	2.907	2.955	1.760	1.802	149.5	125.2	2.493	2.534	2.343	2.409
June	2.923	2.972	1.771	1.811	150.4	126.2	2.505	2.553	2.355	2.427

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C.E. = Current Expectations
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CONSUMPTION

	Personal Consumption		Durables		Nondurables		Services		Consumption Real	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
March 1983	2054.5	2084.6	254.6	259.6	774.4	780.1	1025.8	1044.9	971.4	990.8
April	2078.6	2122.3	260.7	270.6	784.7	786.6	1033.2	1065.2	976.5	1000.0
May	2097.4	2155.3	265.3	277.5	790.6	805.2	1041.5	1072.5	980.0	1012.8
June	2113.3	2176.4	266.9	286.3	796.5	807.5	1049.9	1082.6	981.8	1018.4*
July	2126.7	2190.1*	270.1	284.5*	799.3	810.3*	1057.3	1095.3*	985.4	1022.1
August	2140.9	2201.5	273.5	287.6	802.3	811.8	1065.1	1102.1	988.9	1023.9
September	2156.6	2210.9	277.2	290.4	806.5	813.4	1072.9	1107.1	993.0	1023.9
October	2172.2	2229.6	280.4	294.1	811.4	818.6	1080.4	1116.9	996.8	1028.8
November	2186.2	2246.7	281.7	296.2	816.0	824.8	1088.5	1125.7	998.5	1032.7
December	2200.7	2263.8	283.0	298.3	820.9	831.0	1096.8	1134.5	1000.3	1036.3
January 1984	2215.0	2280.3	286.2	301.1	825.3	833.9	1103.5	1145.3	1002.7	1039.9
February	2230.6	2295.9	289.7	303.8	829.5	836.3	1111.4	1155.8	1005.7	1042.4
March	2248.4	2307.6	293.3	306.5	832.8	838.7	1122.3	1162.4	1009.6	1043.0
April	2262.8	2325.6	295.5	309.1	837.5	844.7	1129.8	1171.8	1011.1	1047.3
May	2277.3	2343.0	297.1	310.7	842.7	850.4	1137.5	1181.9	1013.3	1050.8
June	2288.3	2360.6	296.3	312.3	847.9	856.2	1144.1	1192.1	1013.7	1054.2

RETAIL SALES

	Retail Sales		Non-Auto Durables		Auto (Million Units)		Nondurable Sales		Auto Sales	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
March 1983	91.52	93.26	11.89	12.36	8.7	8.6	63.76	64.10	15.87	16.80
April	93.07	95.45	12.22	12.51	8.9	8.8	64.61	64.78	16.24	18.16
May	94.05	98.43	12.53	13.03	9.0	9.7	65.09	66.31	16.43	19.10
June	94.72	98.69	12.59	12.98	9.0	10.1	65.58	66.35	16.55	19.36
July	95.30	98.66	12.57	12.93	9.2	9.7	65.81	66.57	16.92	19.16
August	95.92	99.34*	12.57	12.90*	9.4	10.0*	66.06	66.69*	17.29	19.75*
September	96.66	99.79	12.60	12.99	9.6	10.1	66.40	66.82	17.66	19.98
October	97.42	100.64	12.77	12.93	9.7	10.3	66.81	67.25	17.84	20.46
November	97.94	101.15	12.82	13.16	9.7	10.2	67.19	67.76	17.93	20.23
December	98.68	101.83	12.79	13.27	9.9	10.2	67.59	68.27	18.30	20.29
January 1984	99.19	102.38	12.75	13.43	10.0	10.3	67.95	68.51	18.49	20.44
February	100.02	103.10	12.86	13.50	10.2	10.5	68.30	68.71	18.86	20.89
March	100.59	103.69	12.97	13.53	10.3	10.7	68.57	68.90	19.05	21.26
April	101.22	104.18	13.15	13.48	10.3	10.7	68.96	69.40	19.11	21.30
May	101.81	104.82	13.20	13.45	10.3	10.8	69.38	69.86	19.23	21.51
June	102.16	105.25	13.43	13.58	10.1	10.7	69.81	70.34	18.92	21.33

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CONSTRUCTION

	Housing Starts		Single Family Starts		Housing Permits		Construction Expenditures (Current)		Construction Expenditures (Real)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
March 1983	1.616	1.647	1.028	1.061	1.415	1.467	255.5	241.9	160.5	154.6
April	1.507	1.506	0.965	1.001	1.363	1.536	259.2	245.6	162.3	156.1
May	1.523	1.799	0.982	1.187	1.411	1.635	261.4	253.2	163.2	159.4
June	1.554	1.747	0.997	1.103	1.432	1.745	264.1	259.7	164.4	163.7
July	1.578	1.765*	1.015	1.154*	1.465	1.726*	265.2	262.8*	164.7	165.3*
August	1.615	1.803	1.023	1.196	1.504	1.685	266.9	264.6	165.4	165.8
September	1.625	1.676	1.031	1.178	1.482	1.582	268.8	267.6	166.1	167.0
October	1.648	1.621	1.044	1.105	1.516	1.493	271.4	270.1	167.2	168.1
November	1.663	1.596	1.059	1.086	1.529	1.461	273.8	272.3	168.2	169.1
December	1.680	1.619	1.074	1.112	1.543	1.480	276.4	273.9	169.4	169.8
January 1984	1.701	1.572	1.092	1.065	1.568	1.443	278.3	274.6	169.3	169.8
February	1.715	1.584	1.108	1.094	1.583	1.451	280.2	274.7	170.4	169.4
March	1.729	1.542	1.105	1.075	1.597	1.406	282.1	274.8	171.0	168.9
April	1.755	1.496	1.126	1.016	1.628	1.311	284.8	275.7	172.1	169.0
May	1.736	1.445	1.118	0.968	1.611	1.265	287.7	276.6	173.2	169.3
June	1.744	1.433	1.130	0.974	1.620	1.269	290.5	277.7	174.3	169.6

CONSTRUCTION CONTINUED

	Private Non-Residential		Public Construction		Residential Construction	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
March 1983	105.8	98.8	51.4	47.0	98.3	96.1
April	105.2	96.0	51.2	47.6	102.8	102.0
May	104.7	97.1	51.0	48.5	105.7	107.6
June	104.2	99.5	51.1	47.9	108.8	112.4
July	103.7	99.0*	52.0	48.9*	109.5	114.9*
August	103.8	98.5	52.7	50.1	110.4	116.0
September	104.0	98.8	53.4	51.0	111.4	117.8
October	104.0	99.3	54.2	52.2	113.2	118.6
November	103.9	99.9	55.0	52.9	114.9	119.5
December	104.1	100.7	55.8	53.5	116.5	119.7
January 1984	104.4	101.2	56.2	54.6	117.7	118.8
February	104.8	101.5	56.5	55.7	118.9	117.5
March	105.3	101.8	56.8	56.9	120.0	116.1
April	105.6	103.0	57.4	57.3	121.8	115.4
May	106.0	103.0	58.0	58.0	123.7	115.6
June	106.4	103.1	58.6	58.8	125.5	115.8

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BUSINESS ACTIVITY

	Manufacturers Inventories		Durable Goods Orders		Non-Defense Capital Goods Orders		Non-Defense Capital Shipments	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
March 1983	262.4	257.3	80.46	79.95	19.65	20.03	20.95	22.04
April	262.0	257.4	84.21	83.41	20.43	22.59	20.86	22.13
May	262.8	258.1	87.65	84.77	21.06	22.30	21.05	21.61
June	264.0	257.2*	90.29	89.89	22.05	23.27	21.24	23.02
July	265.1	259.0	89.62	87.12*	21.93	22.94*	21.30	22.92*
August	266.2	261.1	90.45	87.55	21.87	22.76	21.35	23.05
September	267.0	263.1	91.37	89.27	22.05	23.11	21.32	23.02
October	268.9	265.0	92.26	91.13	22.43	23.62	21.53	23.37
November	270.8	266.9	93.45	92.65	22.36	24.15	21.64	23.65
December	272.3	268.1	93.67	94.29	22.55	24.41	21.77	23.82
January 1984	274.2	270.2	95.26	96.15	22.71	24.72	21.85	24.01
February	276.5	271.9	96.43	94.45	22.95	24.55	21.94	24.20
March	278.7	273.3	94.63	96.35	22.78	24.93	22.03	24.38
April	281.1	275.0	95.24	97.22	23.12	25.15	22.15	24.60
May	283.4	277.4	96.25	97.76	23.10	25.46	22.25	24.83
June	285.3	279.5	96.73	99.53	23.15	25.72	22.38	25.01

	Business Inventories		Defense Shipments		Industrial Production		Capacity Utilization	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
March 1983	510.1	503.2	5.19	5.12	139.2	140.0	69.4	71.8
April	509.6	505.6	5.27	5.27	139.8	142.7	69.6	73.1
May	510.9	506.5	5.38	5.18	140.6	144.3	69.9	72.0
June	512.5	506.5*	5.50	5.33	141.3	145.9	70.2	74.5
July	514.2	510.7	5.61	5.43*	143.5	147.2*	71.2	75.1*
August	516.3	513.3	5.72	5.42	144.2	148.2	71.5	75.5
September	517.7	516.2	5.83	5.44	144.9	149.3	71.8	76.0
October	520.6	518.4	6.01	5.63	145.3	150.3	72.0	76.5
November	524.2	521.9	6.16	5.75	145.6	151.2	72.1	76.9
December	527.2	525.3	6.16	5.95	146.0	152.1	72.3	77.3
January 1984	531.1	528.9	6.28	6.08	146.5	152.8	72.5	77.6
February	534.6	532.3	6.53	6.13	147.6	153.5	73.0	77.9
March	539.1	534.8	6.63	6.19	148.7	153.3	73.5	77.7
April	543.5	537.3	6.70	6.32	149.0	153.8	73.6	77.9
May	547.9	541.1	6.85	6.48	149.4	154.4	73.8	78.2
June	552.0	545.9	6.92	6.65	149.8	154.7	74.0	78.3

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PRICES

	CPI-U (seasonally adjusted)		PPI Finished Goods (seasonally adjusted)		PPI-Industrial Commodities (unadjusted)		Estimated GNP Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
March 1983	293.8	293.8	283.1	283.1	313.4	313.4	2.1443	2.1341
April	295.7	295.6	283.6	282.8	314.0	312.6	2.1542	2.1456
May	297.1	297.1	284.3	284.2	315.3	313.8	2.1621	2.1522
June	298.2	297.7	285.0	285.0	316.7	315.4	2.1707	2.1573
July	299.5	298.6*	285.6	285.1*	317.3	316.7*	2.1783	2.1639
August	300.6	299.6	286.2	286.2	317.7	317.0	2.1835	2.1762
September	301.8	300.7	286.7	287.0	318.1	317.6	2.1889	2.1885
October	303.2	301.7	287.2	287.9	320.0	319.5	2.1996	2.1973
November	304.6	302.8	288.5	288.8	320.7	320.4	2.2105	2.2039
December	306.0	303.7	289.1	289.7	321.4	321.6	2.2224	2.2099
January 1984	307.2	305.0	290.0	291.1	322.8	323.0	2.2308	2.2208
February	308.3	306.5	291.1	293.0	323.8	324.1	2.2394	2.2325
March	309.4	308.3	291.8	294.8	324.9	325.2	2.2482	2.2460
April	310.9	309.6	291.8	395.3	326.0	326.5	2.2594	2.2518
May	312.5	310.9	293.5	296.2	327.0	327.8	2.2668	2.2596
June	314.1	312.3	294.3	297.5	328.1	329.1	2.2735	2.2683

	Consumption Deflator		Consumer Durables		Consumer Nondurables		Consumer Services		Implicit Construction Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
March 1983	211.5	210.4	177.2	176.5	210.1	210.9	223.5	220.6	159.2	156.5
April	212.9	212.2	178.1	177.9	211.9	212.6	224.7	222.9	159.7	157.4
May	214.0	212.8	179.3	177.4	213.2	213.9	225.8	223.5	160.2	158.8
June	215.2	213.7*	180.6	178.1*	214.5	214.6*	226.9	224.7*	160.6	158.6
July	215.8	214.3	181.0	178.5	214.7	214.8	227.9	225.6	161.0	159.0*
August	216.5	215.0	181.1	179.1	214.9	215.0	229.3	226.9	161.4	159.6
September	217.2	215.9	181.4	179.6	215.0	215.7	230.7	228.2	161.8	160.2
October	217.9	216.7	182.0	180.0	215.8	216.5	231.5	229.2	162.3	160.7
November	218.9	217.6	182.5	180.5	216.8	217.4	232.7	230.1	162.8	161.0
December	220.0	218.5	183.0	181.1	217.9	218.3	233.9	231.1	163.2	161.3
January 1984	220.9	219.3	183.7	181.5	218.7	219.0	235.0	232.2	163.8	161.7
February	221.8	220.2	184.4	181.9	219.4	219.7	236.2	233.6	164.4	162.2
March	222.7	221.2	185.1	182.4	220.1	220.5	237.4	235.0	165.0	162.7
April	223.8	222.1	185.6	182.8	221.1	221.3	238.8	236.0	165.5	163.1
May	224.7	223.0	186.2	183.3	222.0	222.4	239.9	236.9	166.1	163.4
June	225.7	223.9	186.9	183.9	222.9	223.5	241.0	237.8	166.7	163.7

Fore. = May Forecast
C.E. = Current Expectations
* This item, and those beyond it, are projections

MISCELLANEOUS

	Merchandise Trade Balance		Leading Indicators		Estimated GNP		Estimated GNP (1972 $)		IVA (annual rate)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
March 1983	-2843	-2774	150.2	150.5	3196	3197	1490	1498	-1.1	0.3
April	-3065	-3697	153.4	152.6	3228	3242	1498	1511	6.7	9.6
May	-2958	-5948	154.5	154.3	3255	3278	1505	1523	10.4	9.2
June	-3645	-4960	155.2	155.9	3282	3301	1512	1530	14.8	7.6
July	-3125	-5710*	156.0	156.9*	3311	3335	1520	1541	12.6	11.6
August	-4043	-5346	156.9	157.7	3340	3374	1530	1550	10.5	14.5
September	-4965	-5592	156.7	158.0	3368	3405	1539	1556	11.1	18.1
October	-3625	-4865	158.0	157.8	3385	3431	1539	1561	14.6	17.8
November	-4592	-5582	158.8	158.3	3406	3460	1541	1570	15.5	17.2
December	-5483	-7115	159.5	158.8	3431	3488	1544	1578	15.3	17.5
January 1984	-5392	-5564	160.4	159.6	3459	3520	1551	1585	15.8	16.1
February	-4375	-5927	161.1	160.5	3487	3545	1557	1588	15.4	13.7
March	-4427	-5872	161.0	161.7	3515	3572	1563	1590	15.5	12.9
April	-4043	-5015	160.7	161.5	3543	3596	1568	1597	16.8	15.4
May	-4725	-5629	161.5	162.4	3565	3626	1573	1605	18.5	16.1
June	-5416	-6847	162.3	163.2	3588	3655	1578	1611	19.9	16.9

Fore. = May Forecast
C.E. = Current Expectations
* This item, and those beyond it, are projections

FINANCIAL MARKETS

	Monetary Base		M1		M2		Federal Funds		T-Bills (6 Mos.)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
March 1983	190.0	189.9	497.7	497.6	2066.1	2069.9	8.77	8.77	8.37	8.37
April	191.1	191.3	497.2	496.5	2073.5	2074.7	8.55	8.80	8.11	8.30
May	192.0	192.5	498.5	507.4	2078.4	2096.0	8.43	8.63	8.01	8.20
June	192.9	194.6	499.4	511.7	2084.5	2114.5	8.50	8.98	8.36	8.89
July	194.2	195.3	502.4	515.6	2103.5	2129.3	8.76	9.37	8.53	9.26
August	195.4	195.8*	506.9	515.3*	2122.5	2140.5*	8.98	9.46*	8.69	9.44*
September	196.6	196.4	511.3	515.7	2141.1	2151.9	9.15	9.45	8.84	9.52
October	197.5	197.7	512.9	519.4	2153.2	2169.7	8.67	9.70	8.36	9.80
November	198.4	199.0	514.1	523.1	2164.8	2188.2	8.33	9.75	8.05	9.87
December	199.3	200.2	515.5	527.5	2176.3	2207.5	8.31	9.63	8.01	9.82
January 1984	200.6	201.2	519.6	529.4	2199.4	2221.4	8.55	9.55	8.23	9.61
February	201.9	202.3	525.7	531.7	2223.5	2238.9	8.67	9.46	8.55	9.14
March	203.2	203.4	531.3	534.1	2246.8	2255.6	8.42	9.38	8.46	8.89
April	204.4	204.6	529.6	537.5	2255.4	2274.4	8.13	9.27	8.07	8.85
May	205.6	205.8	531.2	540.4	2263.8	2291.8	8.05	9.18	7.76	8.81
June	206.8	207.0	533.0	543.5	2270.9	2309.7	8.28	9.23	7.89	8.88

	Aaa (Seasoned)		Municipals (Bond Buyer)		(3 Month) Commercial Paper		90 Day CD's		Prime Rate	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
March 1983	11.73	11.73	9.15	9.20	8.48	8.48	8.69	8.69	10.50	10.50
April	11.55	11.51	9.01	9.05	8.37	8.48	8.55	8.63	10.50	10.50
May	11.37	11.46	8.87	9.11	8.35	8.31	8.58	8.49	10.38	10.50
June	11.46	11.74	8.95	9.56	8.53	9.00	8.79	9.20	10.25	10.50
July	11.52	12.15	9.16	9.53	8.92	9.25	9.15	9.50	10.37	10.50
August	11.55	12.33*	9.19	9.68*	9.07	9.38*	9.36	9.72*	10.50	11.18*
September	11.61	12.50	9.25	9.85	9.21	9.46	9.53	9.85	10.50	11.50
October	11.47	12.61	9.13	9.96	8.69	9.79	8.89	10.15	10.50	11.79
November	11.18	12.69	8.89	10.06	8.48	9.85	8.71	10.21	10.50	12.00
December	11.09	12.73	8.81	10.06	8.41	9.72	8.53	10.18	10.50	12.00
January 1984	11.18	12.59	8.87	9.88	8.59	9.59	8.80	9.86	10.41	12.00
February	11.43	12.46	9.13	9.78	8.73	9.48	8.96	9.72	10.25	12.00
March	11.47	12.34	9.26	9.63	8.61	9.42	8.75	9.65	10.22	12.00
April	11.36	12.19	9.15	9.51	8.05	9.35	8.29	9.61	10.00	11.86
May	11.01	12.15	8.86	9.42	7.96	9.15	8.21	9.49	10.00	11.50
June	10.87	12.14	8.72	9.41	8.27	9.18	8.45	9.55	10.00	11.50

Fore. = May Forecast
C.E. = Current Expectations
* this item, and those beyond it, are projections.

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Georgia State University
a unit of the university system of georgia

university plaza
atlanta, georgia 30303

college of business administration
economic forecasting project
404/658-3282

MONTHLY PROJECTIONS
FOR JUNE

Issued September 6, 1983

RECOVERY BEGINNING TO SLOW IN AUGUST

Because of distortions created as a result of the strike by the Communications Workers against the Bell System, the employment situation for August that was released Friday has not been incorporated in the projection tables. However, payroll employment has been revised downward significantly in July to incorporate better estimates of state and local payrolls. While these adjustments have little effect upon industrial activity or the Index of Hours Worked, they probably will necessitate a slight downward revision in personal income. Also, the Index of Hours Worked in July was revised downward slightly, possibly necessitating a slight downward revision in industrial production for that month.

Our estimates of the strike impact suggest that payroll employment otherwise would have been 90.46 million in August and the Index of Hours Worked would have increased to 106.4. Both these statistics are modestly below values anticipated in our quarterly forecast. A more significant slowing was apparent in the Hourly Earnings Index. After adjustment for possible strike bias, that index is estimated to have decreased slightly to 155.1 in August. Because of the sharply reduced wage costs implied by this adjustment, changes in wages and salaries for August must be reduced by more than $3 billion. Personal income will be reduced by similar amounts. The good news is that these downward revisions in wage costs will lead to even lower unit labor costs for 1983 than originally anticipated. It now appears that unit labor costs will not grow more than 2% during the calendar year. Thus, the normal 2 percentage point increase in profit margins during the first year of economic recovery can be accomplished with increases in the GNP deflator of only 4%. As the deflator appears to be growing more rapidly than that, unusually large increases in corporate profitability still are developing, even as the economic recovery gradually slows.

Although, no inflationary pressures are being intensified from labor markets, and the strong dollar certainly suggest that foreign exchange is not a factor in increasing domestic prices at the present time, industrial prices appear to be increasing. Most metal producers have announced significant increases in the prices of their best selling products in recent weeks. While

the automobile industry says it is trying to hold price increases to 2% in the next model year, the traditional end-of-year model discounting is not developing. Thus, automobile prices have effectively been increased by more than 4%. Of course, such price increases ultimately pose the danger that labor militancy and rising wage demands will ensue. Such a prospect cannot be discounted for the latter months of 1984.

The impact of weather upon prices and outlays that was outlined in our last report has become even more substantial. Although the service component showed a surprisingly small increase in July, inconsistent with our estimate of increased utility bills during that month, such modest increase is not anticipated in August. Indeed, involuntary consumption may be substantial in this month, possibly leading to a slight decline in consumer savings. If so, consumption may be surprisingly modest during the Christmas season. (Department store sales in August show no evidence, however, that consumers are restraining their spending desires. After adjustment for seasonal factors such sales rose a robust 4% in the month. This will only be enough, however, to offset the decline in automobile sales that is partially generated due to a lack of available inventory).

The agricultural situation continues to deteriorate. The September 1 crop report is expected to show corn production of only 4.5 billion bushels - precisely at the total needs, including carryover, required for this year. Soybean production is expected to be 1.55 billion bushels, although the slow development of the pods makes soybeans susceptible if an early frost develops. On the other hand, the heat and drought already have done their maximum damage for this year's agricultural production. Thus, all the adverse effects upon production and upon the availability of poultry and hogs already should be apparent and should be reflected in appropriate forward markets.

After rising dramatically through the first week of August, interest rates have since declined and then stabilized. It now appears that interest rates will be rising slightly during the next month before once again starting a downward pattern that is expected to last into the early months of 1984.

Quarterly Profile of GNP

	1983-II	1983-III	1983-IV	1984-I	1984-II	1984-III
Real	9.2	6.8	3.8	2.1	4.1	4.8
Price	3.5	4.5	5.1	5.2	5.0	5.8
Nominal	13.0	11.6	9.1	7.5	9.4	11.1

Monthly Statistical Highlights
for August 1983

Personal Income, 0.5%; Savings Rate, 5.0%; Personal consumption, 0.4%; Retail Sales, 0.3%; Auto Sales, 9.4 million units; Housing starts, -6.6%;

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Housing Permits, -8.4%; Construction expenditures, +1.8%; Business inventories, +0.7%; Orders for durable goods, +2.4%; Industrial Production, +0.6%; CPI, +0.5%; PPI, +0.7%; Consumption deflator, +0.5%; Leading Indicators, -0.3%; M1, +3.8%; M2, +6.5%.

Monthly Statistical Highlights for September 1983

Payroll employment, +890,000, (+225,000 after strike effects); Index of hours worked, +1.3%, (+0.3% after strike effects); Household employment, -38,000; Civilian unemployment rate, 9.6%; Personal income, +0,6%; Savings Rate, 5.0%; Personal Consumption, +0.7%; Retail Sales, +0.9%; Auto Sales, 9.8 million units; Housing starts, -2.5%; Housing Permits, -11.2%; Construction Expenditures, +0.5; Business Inventories, +0.7%; Orders for durable goods, +1.0%; Orders for non-defense capital goods, +1.3%; Industrial Production, +0.5%; CPI, +0.4%; PPI, +0.3%; Consumption deflator, 0.4%; Leading Indicators, +0.3%; M1, 8.4%; M2, 10.7%.

Commentary

Employment - As mentioned above, the August employment statistics are distorted by a strike against the Bell System. While the BLS estimated that 710,000 were on strike, only 670,000 could be the full time equivalent as the higher number would imply a dramatic growth in communications employment excluding strikers in August. Most of the adjustments from the strike have been stated above. While the strike was noted in our previous projections, it was felt that pay would have been received during the survey week. Apparently, that was not the case.

Agricultural employment remains surprisingly high and should now be expected to decline after seasonal adjustment as the stunted growth of crops diminishes the need for fall workers. In addition, there normally is a significant slowing in both employment and labor force in September whenever the seasonal distortions in June create a sharp increase in those categories. In addition, that distortion tends to increase the overall unemployment rate. Officially, the unemployment rate showed no change in August, but unusual seasonal use of workers in July probably biased that month's estimate downward. If so, adjustment for that bias would lead to further modest declines in the unemployment rate in August. It is now felt that unemployment rates will decline through the remainder of this year and then stabilize well into 1984.

Personal Income and Outlays

July estimates of consumer outlays showed a surprisingly weak rate of increase in the services component. Estimates suggested that utility consumption was above normal by $377 million in the month, or at an annual rate of nearly $5 billion. It is still possible that the service component will be revised upward sharply when the August figures are announced. Certainly, above average utility consumption intensified in August, leading to even further acceleration in the services component.

A surge in prices for food products and strong department store sales may lead to higher nondurable spending than is currently contained in the projections for August.

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A downward revision in consumer spending for June that persisted in July led to higher estimates of savings than were expected in our forecast. These increased savings partially explain why interest rates are not expected to deteriorate as substantially as thought in the quarterly forecast.

Construction

Construction outlays continue to be bolstered by early increases in housing starts. Indeed, a surge in apartment activity in July sustained starts near the second quarter average despite a 136,000 decline in single-family starts. This surge in multi-family activity simply cannot be sustained and should begin receeding significantly in August, along with housing permits for multi units.

In July, single family housing sales fell by 6.5% to 620,000. However, the previous month was significantly revised upward. The inventory/sales ratio remains at 5.7 months. These figures show that further significant deterioration in single family activity is not yet warranted. However, as multi-family activity unwinds, housing starts are expected to drop more dramatically and earlier than expected in the August forecast. This has a dramatic effect upon construction during the fourth quarter and in the early months of 1984.

Business Activity

Manufacturing inventories continue to create surprises, as the 0.4% increase in July was well below anticipations. Inventory accumulations will not be quite as significant as anticipated in the August forecast. This, along with slower growth in consumer spending, leads to slower growth in GNP than expected a month ago.

Retail inventories expanded sharply in June and are expected to show another significant increases in July. Wholesale inventory were lean in June and are xpected to show some accumulation during July.

The most significant development in business activity is the dramatic decline in orders for nondefense capital goods. The decrease in July was a sharp 11.3% and dropped orders below the level of shipments in that month. Even if orders rebound significantly in August, shipments probably will remain modest through the remainder of this quarter. Thus, the surge in plant and equipment activity that appeared in the second quarter is not being sustained during the summer months.

Defense shipments, on the other hand, are running well ahead of anticipations. Indeed, defense outlays probably will exceed our projections, leading to a more significant deficit during the third quarter than contained in our forecast.

Prices

Because the heat was so intense, poultry and hog production was significantly impacted. This led to a dramatic increase in food prices during August related to the heat. The effects of the drought upon grain production will have more significant effects upon meat prices in the second half of 1984. Indeed, prices should slow significantly during the fall from the heat related gains of August. This will also be reflected in the appropriate consumer deflators.

Miscellaneous

As expected, exports could not be sustained because of one time gains in aerospace equipment that accompanied export activity in June. Once these special effects are eliminated, exports grew about $0.5 billion in July. A more modest rate of increase is expected in August as clearances for grain shipments dropped sharply once prices for grains moved sharply higher. Most foreign buyers apparently are waiting for the distribution of grain in association with the PIK program before re-entering the market. On the other hand, a sharp increase in imports reflects significant inventory rebuilding in the oil sector. Further inventory rebuilding is needed in August, suggesting that imports will grow significantly in that month. After that period, more moderate rates of increase in imports are expected.

A sharp reversal in initial unemployment claims, some decline in inflation adjusted money measures, and a probable sharp decline in building permits suggest that the leading indicators will fall in August. Of course, a sharp increase in orders for plant and equipment may offset these declines. At any rate, the leading indicators almost certainly will show no substantial strength in August and possibly also in September.

Financial Markets

Most of the monetary aggregates began to grow more slowly, apparently responding to the significant slowing in the monetary base during July. Unfortunately, the failure of the dollar to lose favor in international portfolios may be leading to a renewed resurgence in demand for dollars during September. It appears that the Federal Reserve is partially providing additional reserves to meet this renewed increase in money demand. If they continue to increase reserves, a surge in money growth is likely in September and/or October. This explains why interest rates are expected to rise in the next two months. After that, however, a modest reduction in government deficits, maintenance of the increased household savings rates that materialized in July, and continuing strong growth in corporate cash positions should permit a modest decrease in interest rates. Of course, economic activity is expected to slow significantly during the fourth quarter and show only minimal growth in the early part of 1984. This reduced activity should permit modest interest rate relief.

Stock Market

Interest rates are projected to perform more favorably in the fourth quarter than had been expected in our August forecast. In addition, the discrepancy between the growth of the GNP deflator and the development of unit labor costs suggest that corporate profits will be growing more strongly in 1983 than originally projected. As a result, the stock market can trade higher than contained in the quarterly forecast. That forecast suggested that stock prices would reach new highs in the fourth quarter, but would find formidable difficulty in overcoming 1300 on the Dow-Jones Index. It still appears that 1300 will be a formidable barrier but a significant test of that level is anticipated before the end of the year.

EMPLOYMENT

	Payroll Employment		Index of Hours Worked		Household Civilian Employment		Civilian Unemployment Rate		Hourly Earnings Index	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
May 1983	89421	89421	105.0	105.0	99557	99557	10.1	10.1	154.6	154.6
June	89832	89832	105.7	105.7	100786	100786	10.0	10.0	154.8	154.8
July	90319	90319	106.3	106.3	101285	101285	9.5	9.5	155.2	155.2
August	90523	90516*	106.6	106.6*	101426	101441*	9.4	9.5*	156.0	155.7*
September	90706	90703	106.9	106.8	101339	101403	9.4	9.5	156.9	156.3
October	91025	90952	107.3	107.1	101846	101677	9.2	9.4	157.4	156.9
November	91368	91173	107.6	107.5	102291	101901	9.0	9.3	158.2	157.6
December	91705	91408	107.8	107.8	102703	102210	8.9	9.2	159.0	158.3
January 1984	91896	91587	108.1	108.0	102955	102433	8.8	9.2	159.7	159.0
February	92071	91806	108.3	108.2	103048	102787	8.7	9.0	160.3	159.7
March	92243	91998	108.6	108.5	103165	103013	8.6	9.0	161.0	160.5
April	92488	92203	108.9	108.6	103499	103261	8.5	8.9	161.7	161.3
May	92693	92379	109.1	108.8	103767	103500	8.5	8.9	162.5	162.0
June	92898	92528	109.3	109.1	104038	103681	8.5	8.9	163.3	162.7
July	93056	92701	109.5	109.3	104175	103926	8.5	8.8	163.9	163.4
August	93292	92883	109.7	109.5	104362	104187	8.5	8.7	164.5	164.1

PERSONAL INCOME

	Personal Income		Wage & Salary		Personal Savings		Disposable Income		Personal Outlays	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
May 1983	2.721	2.722	1.652	1.652	88.1	87.2	2.306	2.307	2.217	2.220
June	2.734	2.736	1.663	1.661	75.4	85.4	2.314	2.315	2.239	2.230
July	2.754	2.751	1.679	1.673	107.4	116.8	2.360	2.356	2.253	2.239
August	2.775	2.768*	1.690	1.683*	110.7	120.9*	2.375	2.369*	2.264	2.248*
September	2.798	2.785	1.706	1.693	116.0	118.7	2.390	2.382	2.274	2.263
October	2.820	2.806	1.720	1.707	115.9	114.3	2.409	2.399	2.293	2.285
November	2.841	2.827	1.730	1.721	118.5	118.0	2.429	2.416	2.311	2.298
December	2.862	2.849	1.741	1.734	120.1	120.7	2.448	2.434	2.328	2.313
January 1984	2.874	2.864	1.754	1.745	118.3	130.1	2.463	2.454	2.345	2.324
February	2.897	2.881	1.767	1.756	119.4	135.5	2.480	2.469	2.361	2.334
March	2.921	2.902	1.781	1.770	124.4	136.8	2.497	2.487	2.373	2.350
April	2.940	2.920	1.793	1.781	124.0	137.3	2.515	2.501	2.391	2.364
May	2.955	2.938	1.802	1.792	125.2	135.1	2.534	2.514	2.409	2.379
June	2.972	2.958	1.811	1.805	126.2	131.8	2.553	2.530	2.427	2.398
July	2.991	2.976	1.823	1.816	119.6	132.3	2.565	2.545	2.445	2.413
August	3.010	2.992	1.835	1.827	118.2	125.2	2.577	2.557	2.459	2.432

Fore. = May Forecast
C.E. = Current Expectations
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CONSTRUCTION

	Housing Starts		Single Family Starts		Housing Permits		Construction Expenditures (Current)		Construction Expenditures (Real)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
May 1983	1.799	1.807	1.187	1.183	1.635	1.635	253.2	253.1	159.4	159.4
June	1.747	1.752	1.103	1.146	1.745	1.761	259.7	263.1	163.7	165.8
July	1.765	1.741	1.154	1.010	1.726	1.816	262.8	267.7	165.3	168.1
August	1.803	1.626*	1.196	0.985*	1.685	1.663*	264.6	269.6*	165.8	168.9*
September	1.676	1.585	1.178	0.963	1.582	1.477	267.6	270.8	167.0	169.3
October	1.621	1.533	1.105	0.932	1.493	1.423	270.1	270.2	168.1	168.3
November	1.596	1.462	1.086	0.900	1.461	1.348	272.3	268.8	169.1	166.9
December	1.619	1.431	1.112	0.883	1.480	1.320	273.9	268.1	169.8	166.0
January 1984	1.572	1.419	1.065	0.895	1.443	1.286	274.6	267.7	169.8	165.3
February	1.584	1.431	1.094	0.916	1.451	1.316	274.7	267.7	169.4	165.1
March	1.542	1.485	1.075	0.963	1.406	1.367	274.8	268.6	168.9	164.8
April	1.496	1.495	1.016	0.952	1.311	1.398	275.7	271.6	169.0	166.6
May	1.445	1.484	0.968	0.985	1.265	1.370	276.6	273.6	169.3	167.3
June	1.433	1.520	0.974	0.977	1.269	1.415	277.7	276.2	169.6	168.5
July	1.492	1.571	1.012	1.023	1.312	1.472	278.1	278.7	169.5	169.5
August	1.509	1.593	1.024	1.035	1.348	1.504	278.6	280.9	169.5	170.2

CONSTRUCTION CONTINUED

	Private Non-Residential		Public Construction		Residential Construction	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
May 1983	97.1	97.1	48.5	48.5	107.6	107.5
June	99.5	99.6	47.9	49.6	112.4	113.8
July	99.0	99.5	48.9	50.5	114.9	117.7
August	98.5	99.0*	50.1	51.3*	116.0	119.3*
September	98.8	98.7	51.0	51.8	117.8	120.3
October	99.3	98.8	52.2	52.0	118.6	119.4
November	99.9	99.4	52.9	51.6	119.5	117.8
December	100.7	100.0	53.5	52.2	119.7	115.9
January 1984	101.2	100.5	54.6	52.9	118.8	114.3
February	101.5	100.9	55.7	54.0	117.5	112.8
March	101.8	101.3	56.9	54.8	116.1	112.5
April	103.0	102.0	57.3	56.1	115.4	113.5
May	103.0	102.6	58.0	56.8	115.6	114.2
June	103.1	103.1	58.8	57.5	115.8	115.6
July	104.3	103.8	59.3	58.1	114.5	116.8
August	105.0	104.5	59.8	58.7	113.8	117.7

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C.E. = Current Expectations
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BEST AVAILABLE COPY

BUSINESS ACTIVITY

	Manufacturers Inventories		Durable Goods Orders		Non-Defense Capital Goods Orders		Non-Defense Capital Shipments	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
May 1983	258.1	258.1	84.77	84.45	22.30	22.23	21.61	21.61
June	257.2	257.4	89.89	90.90	23.27	24.28	23.02	23.62
July	259.0	258.4	87.12	87.71	22.94	21.56	22.92	22.62
August	261.1	260.2*	87.55	89.78*	22.76	22.45*	23.05	22.55*
September	263.1	262.0	89.27	90.65	23.11	22.73	23.02	22.59
October	265.0	263.5	91.13	91.95	23.62	23.01	23.37	22.73
November	266.9	265.1	92.65	90.78	24.15	23.02	23.65	22.96
December	268.1	266.2	94.29	93.48	24.41	23.46	23.82	23.35
January 1984	270.2	267.7	96.15	95.52	24.72	24.02	24.01	23.55
February	271.9	269.5	94.45	95.98	24.55	24.17	24.20	23.76
March	273.3	271.3	96.35	95.66	24.93	23.93	24.38	23.89
April	275.0	272.9	97.22	97.11	25.15	24.09	24.60	23.95
May	277.4	274.3	97.76	98.82	25.46	24.51	24.83	24.17
June	279.5	276.0	99.53	99.79	25.72	24.86	25.01	24.25
July	283.7	278.5	101.23	99.26	25.95	24.52	25.16	24.15
August	285.1	281.1	100.10	100.05	25.73	25.08	25.30	24.38

	Business Inventories		Defense Shipments		Industrial Production		Capacity Utilization	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
May 1983	506.5	505.7	5.18	5.18	144.3	144.4	72.0	73.9
June	506.5	505.0	5.33	5.34	145.9	146.0	74.5	74.6
July	510.7	507.9*	5.43	5.79	147.2	148.6	75.1	75.8
August	513.3	511.3	5.42	5.58*	148.2	149.9*	75.5	76.4*
September	516.2	514.8	5.44	5.72	149.3	150.6	76.0	76.7
October	518.4	517.5	5.63	5.90	150.3	151.3	76.5	77.0
November	521.9	520.3	5.75	6.05	151.2	152.0	76.9	77.3
December	525.3	522.6	5.95	6.13	152.1	152.6	77.3	77.6
January 1984	528.9	525.5	6.08	6.25	152.8	153.1	77.6	77.8
February	532.3	529.2	6.13	6.32	153.5	153.7	77.9	78.1
March	534.8	532.8	6.19	6.21	153.3	153.5	77.7	77.9
April	537.3	535.9	6.32	6.30	153.8	153.4	77.9	77.8
May	541.1	539.0	6.48	6.49	154.4	154.0	78.2	78.0
June	545.9	542.4	6.65	6.52	154.7	154.3	78.3	78.1
July	550.3	547.1	6.75	6.70	154.9	155.0	78.4	78.4
August	553.7	552.2	6.86	6.81	155.1	155.8	78.4	78.7

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PRICES

	CPI-U (seasonally adjusted)		PPI Finished Goods (seasonally adjusted)		PPI-Industrial Commodities (unadjusted)		Estimated GNP Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
May 1983	297.1	297.1	284.2	284.2	313.8	313.8	2.1522	2.1483
June	297.7	297.7	285.0	285.0	315.4	315.4	2.1573	2.1543
July	298.6	298.8	285.1	285.3	316.7	317.0	2.1639	2.1609
August	299.6	300.3*	286.2	287.3*	317.0	318.0*	2.1762	2.1703
September	300.7	301.4	287.0	288.1	317.6	317.9	2.1885	2.1798
October	301.7	302.3	287.9	288.7	319.5	320.0	2.1973	2.1893
November	302.8	303.4	288.8	289.4	320.4	320.7	2.2039	2.1974
December	303.7	304.6	289.7	290.3	321.6	321.5	2.2099	2.2062
January 1984	305.0	305.7	291.1	291.5	323.0	322.7	2.2208	2.2170
February	306.5	307.0	293.0	292.8	324.1	323.9	2.2325	2.2259
March	308.3	308.2	294.8	293.7	325.2	325.1	2.2460	2.2346
April	309.6	309.6	295.3	295.5	326.5	326.4	2.2518	2.2427
May	310.9	311.2	296.2	297.3	327.8	328.0	2.2596	2.2535
June	312.3	312.6	297.5	299.1	329.1	329.3	2.2683	2.2632
July	313.6	314.2	299.0	300.9	330.5	330.6	2.2781	2.2743
August	314.9	315.9	300.6	302.6	331.9	332.3	2.2878	2.2858

	Consumption Deflator		Consumer Durables		Consumer Nondurables		Consumer Services		Implicit Construction Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
May 1983	212.8	212.8	177.4	177.4	213.9	213.8	223.5	223.7	158.8	158.8
June	213.7	213.2	178.1	178.4	214.6	213.6	224.7	224.5	158.6	158.6
July	214.3	213.9*	178.5	179.0*	214.8	213.9*	225.6	225.6*	159.0	159.2
August	215.0	215.0	179.1	179.9	215.0	215.0	226.9	226.5	159.6	159.6*
September	215.9	215.8	179.6	180.5	215.7	215.6	228.2	227.7	160.2	160.0
October	216.7	216.5	180.0	181.1	216.5	216.2	229.2	228.8	160.7	160.5
November	217.6	217.2	180.5	181.5	217.4	216.9	230.1	229.8	161.0	161.1
December	218.5	218.1	181.1	181.9	218.3	217.5	231.1	231.0	161.3	161.5
January 1984	219.3	218.9	181.5	182.3	219.0	218.2	232.2	232.1	161.7	161.9
February	220.2	219.9	181.9	182.7	219.7	218.9	233.6	233.3	162.2	162.1
March	221.2	220.6	182.4	183.1	220.5	219.6	235.0	234.4	162.7	162.4
April	222.1	221.6	182.8	183.5	221.3	220.7	236.0	235.5	163.1	163.0
May	223.0	222.8	183.3	183.9	222.4	222.1	236.9	236.7	163.4	163.5
June	223.9	223.8	183.9	184.2	223.5	223.6	237.8	237.8	163.7	163.9
July	224.9	225.0	184.4	184.6	224.3	224.9	239.0	239.0	164.1	164.4
August	225.9	226.2	185.0	185.2	225.3	226.3	240.3	240.2	164.4	165.0

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CONSUMPTION

	Personal Consumption		Durables		Nondurables		Services		Consumption Real	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
May 1983	2155.3	2157.1	277.5	278.3	805.2	803.9	1072.5	1074.9	1012.8	1013.5
June	2176.4	2167.2	286.3	285.3	807.5	804.1	1082.6	1077.9	1018.4	1016.5
July	2190.1	2175.8	284.5	285.2	810.3	808.9	1095.3	1081.8	1022.1	1017.0*
August	2201.5	2185.0*	287.6	283.3*	811.8	812.5*	1102.1	1089.5*	1023.9	1016.4
September	2210.9	2199.8	290.4	289.0	813.4	815.5	1107.1	1095.3	1023.9	1019.4
October	2229.6	2220.9	294.1	299.5	818.6	818.7	1116.9	1102.7	1028.8	1026.0
November	2246.7	2233.8	296.2	302.2	824.8	821.2	1125.7	1110.4	1032.7	1028.3
December	2263.8	2248.7	298.3	303.9	831.0	826.2	1134.5	1118.6	1036.3	1031.2
January 1984	2280.3	2259.1	301.1	303.8	833.9	830.1	1145.3	1125.2	1039.9	1031.9
February	2295.9	2268.3	303.8	301.6	836.3	833.6	1155.8	1133.1	1042.4	1031.6
March	2307.6	2284.7	306.5	306.7	838.7	837.5	1162.4	1140.5	1043.0	1035.4
April	2325.6	2297.8	309.1	308.8	844.7	840.6	1171.8	1148.4	1047.3	1036.8
May	2343.0	2312.7	310.7	310.8	850.4	845.2	1181.9	1156.7	1050.8	1038.2
June	2360.6	2331.7	312.3	315.0	856.2	851.2	1192.1	1165.5	1054.2	1041.8
July	2380.2	2346.1	314.7	312.9	860.7	857.1	1204.8	1176.1	1058.3	1042.7
August	2392.3	2364.4	316.2	314.6	865.1	863.0	1211.0	1186.8	1059.0	1045.3

RETAIL SALES

	Retail Sales		Non-Auto Durables		Auto (Million Units)		Nondurable Sales		Auto Sales	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
May 1983	98.43	98.43	13.03	13.03	9.7	9.1	66.31	66.31	19.10	19.10
June	98.69	98.69	12.98	12.98	10.1	10.1	66.35	66.35	19.36	19.36
July	98.66	98.66	12.93	12.93	9.7	9.7	66.57	66.57	19.16	19.16
August	99.34	98.70*	12.90	13.01*	10.0	9.4*	66.69	66.82*	19.75	18.87*
September	99.79	99.61	12.99	13.14	10.1	9.8	66.82	67.09	19.98	19.38
October	100.64	101.08	12.93	13.23	10.3	10.2	67.25	67.38	20.46	20.47
November	101.15	101.58	13.16	13.23	10.2	10.3	67.76	67.58	20.23	20.77
December	101.83	102.11	13.27	13.33	10.2	10.3	68.27	67.92	20.29	20.86
January 1984	102.38	102.44	13.43	13.44	10.3	10.2	68.51	68.26	20.44	20.74
February	103.10	102.53	13.50	13.51	10.5	10.0	68.71	68.60	20.89	20.42
March	103.69	103.38	13.53	13.59	10.7	10.2	68.90	68.87	21.26	20.92
April	104.18	103.89	13.48	13.71	10.7	10.2	69.40	69.15	21.30	21.03
May	104.82	104.53	13.45	13.71	10.8	10.3	69.86	69.56	21.51	21.26
June	105.25	105.49	13.58	13.84	10.7	10.4	70.34	70.05	21.33	21.60
July	105.89	105.75	13.82	13.96	10.7	10.2	70.71	70.54	21.36	21.25
August	106.42	106.43	13.80	14.06	10.8	10.2	71.07	71.03	21.55	21.34

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MISCELLANEOUS

	Merchandise Trade Balance		Leading Indicators		Estimated GNP		Estimated GNP (1972 $)		IVA (annual rate)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
May 1983	-5948	-5948	154.3	154.3	3278	3271	1523	1523	9.2	9.5
June	-4960	-4960	155.9	157.2	3301	3297	1530	1530	7.6	9.3
July	-5710	-6360	156.9	157.7	3335	3328	1541	1540	11.6	11.6
August	-5346	-6572*	157.7	157.6*	3374	3362	1550	1549	14.5	13.5
September	-5592	-6143	158.0	158.0	3405	3392	1556	1556	18.1	13.3
October	-4865	-5814	157.8	158.3	3431	3421	1561	1562	17.8	14.7
November	-5582	-5295	158.3	158.5	3460	3434	1570	1563	17.2	14.5
December	-7115	-6753	158.8	159.1	3488	3450	1578	1564	17.5	15.5
January 1984	-5564	-6118	159.6	159.7	3520	3471	1585	1566	16.1	15.1
February	-5927	-6521	160.5	160.0	3545	3494	1588	1570	13.7	14.6
March	-5872	-6643	161.7	160.1	3572	3527	1590	1578	12.9	14.9
April	-5015	-6021	161.5	160.6	3596	3553	1597	1584	15.4	15.8
May	-5629	-5863	162.4	161.4	3626	3577	1605	1587	16.1	16.3
June	-6847	-6345	163.2	162.0	3655	3599	1611	1590	16.9	16.9
July	-5575	-6089	163.9	162.8	3679	3632	1615	1597	17.0	17.5
August	-6463	-6556	164.6	163.3	3700	3672	1617	1606	17.3	17.2

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FINANCIAL MARKETS

	Monetary Base		M1		M2		Federal Funds		T-Bills (6 Mos.)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
May 1983	192.5	192.6	507.4	507.4	2096.0	2096.2	8.63	8.63	8.20	8.20
June	194.6	194.6	511.7	511.7	2114.5	2114.8	8.98	8.98	8.89	8.89
July	195.3	195.0	515.6	515.5	2129.3	2125.8	9.37	9.37	9.26	9.26
August	195.8	196.1*	515.3	517.1*	2140.5	2136.9*	9.46	9.58	9.44	9.53
September	196.4	197.4	515.7	520.6	2151.9	2155.0	9.45	9.86*	9.52	9.65*
October	197.7	198.6	519.4	523.3	2169.7	2173.2	9.70	9.81	9.80	9.57
November	199.0	199.2	523.1	524.7	2188.2	2184.5	9.75	9.63	9.87	9.36
December	200.2	200.7	527.5	527.5	2207.5	2198.9	9.63	9.73	9.82	9.48
January 1984	201.2	202.2	529.4	529.8	2221.4	2215.2	9.55	9.62	9.61	9.29
February	202.3	203.3	531.7	532.4	2238.9	2232.6	9.46	9.43	9.14	9.11
March	203.4	203.7	534.1	534.8	2255.6	2249.4	9.38	9.16	8.89	8.96
April	204.6	204.9	537.5	537.2	2274.4	2270.3	9.27	9.25	8.85	9.05
May	205.8	206.1	540.4	540.2	2291.8	2290.0	9.18	9.36	8.81	9.22
June	207.0	207.1	543.5	542.5	2309.7	2305.6	9.23	9.01	8.88	8.95
July	208.2	208.6	545.7	546.2	2326.4	2328.2	9.16	9.13	8.68	8.92
August	209.3	209.2	548.0	547.6	2340.5	2338.9	9.03	8.86	8.62	8.71

	Aaa (Seasoned)		Municipals (Bond Buyer)		(3 Month) Commercial Paper		90 Day CD's		Prime Rate	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
May 1983	11.46	11.46	9.11	9.11	8.31	8.31	8.49	8.49	10.50	10.50
June	11.74	11.74	9.56	9.56	9.00	9.00	9.20	9.20	10.50	10.50
July	12.15	12.15	9.53	9.53	9.25	9.25	9.50	9.50	10.50	10.50
August	12.33	12.51	9.68	9.72	9.38	9.42	9.72	9.77	11.18	10.80
September	12.50	12.48*	9.85	9.67*	9.46	9.89*	9.85	10.08*	11.50	11.26
October	12.61	12.42	9.96	9.56	9.79	9.88	10.15	10.15	11.79	11.50
November	12.69	12.26	10.06	9.38	9.85	9.67	10.21	9.94	12.00	11.50
December	12.73	12.32	10.06	9.45	9.72	9.65	10.18	9.90	12.00	11.50
January 1984	12.59	12.37	9.88	9.50	9.59	9.68	9.86	9.96	12.00	11.50
February	12.46	12.16	9.78	9.30	9.48	9.43	9.72	9.69	12.00	11.50
March	12.34	11.97	9.63	9.13	9.42	9.12	9.65	9.43	12.00	11.22
April	12.19	12.05	9.51	9.19	9.35	9.28	9.61	9.49	11.86	11.00
May	12.15	12.18	9.42	9.33	9.15	9.47	9.49	9.72	11.50	11.00
June	12.14	12.18	9.41	9.33	9.18	9.13	9.55	9.38	11.50	11.00
July	11.95	12.13	9.25	9.28	9.20	9.25	9.56	9.49	11.50	11.00
August	11.78	11.89	9.12	9.04	9.06	9.87	9.39	9.18	11.50	11.00

Fore. = August Forecast
C.E. = Current Expectations
* this item, and those beyond it, are projected

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Georgia State University
a unit of the university system of georgia

university plaza
atlanta, georgia 30303

college of business administration
economic forecasting project
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MONTHLY PROJECTIONS
FOR JULY

Issued September 30, 1983

CONSUMER REAPPEARING IN SEPTEMBER

After two months of sagging consumer support for the economy, rising automobile sales in September and some signs that department store sales are rebounding indicate that consumer activity is again ready to provide significant support through the important Christmas season. Automobile sales have perked up to 7.6 million units at annual rates during the second ten days of September. This is considerably higher than the 6.9 million domestic sales in August. As more 1984 models become available, total automobile sales are expected to rebound to more than 10 million at annual rates. The hot weather clearly had adverse effects upon consumer activity in August, as department store sales did not rise as rapidly as preliminary estimates suggested. (Those preliminary estimates were based upon performance by large chains. However, the results for Sears included the performance of recently acquired units in Canada. Thus, department store sales were much weaker than the survey showed. Similar errors will be contained in yearly comparisons until next July.) Fortunately, consumer purchasing power has dramatically increased relative to spending in the summer months. A surprising slowing in service expenditures coincided with automobile shortages. As a result, the savings rate has rebounded to more than 5%. While this savings rate is low historically, it is significantly better than the unusually low savings that were generated during the spring.

While consumption will be accelerating during the fourth quarter, construction activity almost certainly will be slowing. Many reasons have been sighted for the sharp increase in housing activity during August even as housing sales have been declining and rental vacancy rates have been soaring. Certainly, the tax sheltering needs of investors are sustaining multiple-family activity even as total housing completions begin to outstrip the growth in household formations. This phenomenon of building for investors rather than renters will sustain higher growth in rental construction than previously had been anticipated. It will also generate more downward pressures upon the rental component of the CPI then had previously been expected. However, arguments for strong single-family construction are related to financing procedures that would aid the sale of units. However, sales figures definitely show a downward trend. Our own explanation of the surprising housing activity in August is related to the weather. Wetness, rather than heat, delays the laying of foundations. Because of the unusual dryness in August, an additional two construction days

were available in that month. As a result, more housing units were begun. A return to more normal weather should lead to sharply reduced housing starts in the fall. Construction probably will show little growth from the fourth quarter until the middle of 1984.

Three offsetting factors are leading to no appreciable alteration in our inflationary outlook. First, wages continue to grow at reduced rates. The Hourly Earnings Index in August was only 3.6% above previous year levels. While some acceleration in wages is certain as the unemployment rate recedes, we have significantly slowed the rate at which that index is expected to rebound in the year ahead. Although productivity gains are expected to slow from more than 3% this year to less than 2% in 1984, the growth in earnings strongly suggests that unit labor costs will accelerate only from 1.5% in 1983 to less than 4% in 1984. In both years this is about a percentage point below previous expections.

Second, the dollar remains extremely strong. The dollar is expected to weaken in the next six months. However, foreign investor sentiment for the dollar remains so strong that only modest reductions in the dollar's value are anticipated. As long as the dollar remains strong, internationally traded materials will continue to rebound in price by less than would be anticipated on the basis of economic conditions in the United States alone. Already, world prices of nonferrous metals and petroleum products have stabilized after a temporary burst following the strong spring rebound in American activity. Of course, a declining dollar will generate more upward bias upon prices than the appreciating dollar of the last two years. However, our current projections for the dollar show a smaller degree of softening than previously expected.

While foreign exchange and wage changes are leading to lower price increases than previously expected, the drought is leading to more significant price problems than anticipated in our previous projections. Only a sharp reduction in export demand for soybeans can prevent that crop from becoming critically short before the end of the marketing year. Similarly, a dramatic rotation from corn to wheat use for feeds may be required to prevent the corn pipeline from being fully depleted. Fortunately, wheat is in ample supply. However, feed grains have already increased by nearly 45% in the last two months. In order to maintain any semblance of profitability in meat production, prices must rise between 20% and 35% for steers, hogs, and poultry. Indeed, such price increases are not likely to be tolerated by consumers (after additional processing, those price increases for livestock would translate into approximately a 10% increase in meat prices for consumers). While the strong dollar undoubtedly will diminish the export attractiveness of American agriculture, our analysis continues to suggest that grocery store prices will rise 7.5% in 1984. This is substantially higher than the 2.5% increase currently estimated for 1983.

When all the price change factors are combined, our price estimates correspond closely to those presented in our August forecast.

The decline in household savings during the fourth quarter normally would lead to increasing interest rate pressures. However, the corporate sector continues to increase its cash flow. During the summer months, a swing in inventory investments from liquidation to accumulation meant that the corporate use of funds was growing more rapidly than fund sources at the corporate level. While inventories will accumulate further in the fourth quarter, the degree of change in inventory investments will be smaller than during the summer. In addition, fixed outlays are expected to show no dramatic acceleration.

Therefore, the corporate sector should supply sufficient funds to offset the diminished savings of the household sector. While foreign investors may begin to withdraw funds as the dollar slowly loses prominence, the significant change in credit conditions is being generated by the government sector. After reaching an annual rate of $220 billion in the summer, the federal deficit has receded to the vicinity of $195 billion in the fall. Increased social security taxes, further improvement in tax collections, and further reductions in expenditures for agriculture and unemployment compensation will lead to a deficit of only $160 billion in the winter. This release of funds from government financing should be the dominant factor dictating interest rate movements in the next six months. While the pattern for declining interest rates will be undramatic during the fall, more substantial interest rate relief seems likely in the winter.

Normally, improving bond markets should lead to increasing equity values. In addition, growing cash flow at the corporate sector should encourage upward values in equity ownership. At the present time, however, serious restructuring of cost schedules in the transportation sector is leading to significant uncertainty. This uncertainty should be resolved during the fall, but a significant upward move in equity values may be delayed until late in 1983.

Quarterly Profile of GNP

	1983-II	1983-III	1983-IV	1984-I	1984-II	1984-III
Real	9.7	6.5	6.1	4.3	3.7	3.3
Price	3.3	3.6	4.1	4.2	5.0	5.6
Nominal	13.3	10.5	10.4	8.4	9.2	9.1

Monthly Statistical Highlights
for September 1983

Payroll employment, +854,000, (+177,000 after strike effects); Index of hours worked, +1.2%, (+0.2% after strike effects); Household employment, +125,000; Civilian unemployment rate, 9.5%; Personal income, +1.0%; Savings rate, 5.3%; Personal consumption, +0.9%; Retail sales, +1.7%; Auto sales, 9.6 million; Housing starts, -8.8%; Housing permits, -6.8%; Construction expenditures, +0.2%; Business inventories, +0.4%; Orders for durable goods, +2.6%; Orders for nondefense capital goods, +1.7%; Industrial production, +0.7%; CPI, +0.3%; PPI, +0.5%; Consumption deflator, +0.2%; Leading indicators, +0.4%; M1, 6.5%; M2, 7.8%.

Monthly Statistical Highlights
for October, 1983

Payroll employment, +181,000; Index of hours worked, +0.2%; Household employment, 245,000; Civilian unemployment rate, 9.5%; Personal income, +0,7%; Savings Rate, 5.1%; Personal Consumption, +0.8%; Retail Sales, +1.1%; Auto Sales, 9.8 million units; Housing starts, -4.9%; Housing Permits, -8.2%; Construction Expenditures, +0.4%; Business Inventories, +0.5%; Orders for durable goods, +1.5%; Orders for nondefense capital goods, +1.0%; Industrial Production, +0.3%; CPI, +0.2%; PPI, +0.4%; Consumption deflator, +0.2%; Leading Indicators, +0.3%; M1, 5.7%; M2, 8.2%.

Commentary

Employment

After a strike-distorted employment report in August, more normal employment figures are now expected for September. The insured unemployment rate fell sharply in the first two weeks of September, suggesting that payroll employment could exceed our current estimates. On the other hand, household employment tends to grow more slowly than normal in September whenever a more rapid than normal expansion is recorded in June. In addition, agricultural employment has been unusually high given the poor production conditions in that sector. Therefore, a decline in civilian employment in September still could develop even as payroll employment expands strongly with the return of the striking Communications Workers. Because of that anomaly in the household surveys, a slight increase in the civilian unemployment rate is anticipated for September. Such an increase probably would be concentrated in the teenage sector, where participation rates remain unusually subdued.

Personal Income and Outlays

Several factors led to a much slower increase in personal income during August than had been anticipated. The impact of the strike upon wages earned in distributive industries was nearer to $5 billion than the $3 billion previously expected. Government payrolls also expanded as a result of wage disbursements for postal employees after the settlement of a wage dispute. This added approximately $3 billion to the government payroll sector. As it is nonrecurring, a similar amount must be removed in September. However, the Administration's desire to provide a token cost-of-living pay increase for federal employees in October will once again expand government payrolls at that time. Third, Hurricane Alicia caused a $5 billion markdown of rental income to offset the annualized impact of the storm's damage. Rental incomes, therefore, will rebound sharply in September. The total impact of these unusual events is to add approximately $8 billion to September personal income before consideration of normal economic events.

Outlays continue to show a surprising lack of increased utility consumption in August. As a result, the service component actually declined slightly. Coupled with a significant decline in consumer durables as a result of the absence of desirable automobile inventories, outlays fell 0.3% even as disposable income was increasing by 0.2%. Therefore, the savings rate increased significantly in August. This unusual slowing in services also reflects lower stock market activities. Such a slowing is not expected to persist beyond September, but further reduced purchases of financial services appears to have developed in September itself. Therefore, consumer activity will remain unusually subdued into the fall. This permits some rebound in auto sales,

although rapid recovery in the automobile market cannot be supported by prevailing income levels. Indeed, our modified estimates for auto sales already lead to moderate declines in savings rates into 1984.

Of course, the pattern of sales for nondurable goods is substantially influenced by food prices. During the fourth quarter, increased slaughtering of animals should lead to moderate grocery store price changes. As a result, nondurable purchases should fall below previous forecasts. While no significant changes from previous anticipations are expected in food prices during the winter, prices will be rising more sharply than previously expected as next year's barbecue season begins. This will have an adverse effect upon consumer durables. Indeed, the unusually rapid increase in furniture sales that occurred during the first half of 1983 should be followed by significant slowing.

Construction

One of the factors associated with the surprising increase in housing starts during August must be the absence of moisture. We estimate that an additional two construction days were available in the month because of the weather. Of course, previously unutilized permits allowed a significant increase in starts even as permits began to fall. Permits no longer can support single-family starts in excess of one million. Those starts should fall to that level and below during the next few months. While multiple-family units now are expected to remain stronger than in previous projections, they too must eventually respond to market forces. Therefore, the strong August performance does not indicate that housing will remain strong early in 1984.

Because of this change in housing patterns, residential construction now is expected to be stronger than previously anticipated through the fall. Activity then will weaken sharply in the winter and spring months before rebounding again in the summer. Similarly, the weather probably had a positive effect upon non-residential construction. These areas should perform strongly in August and then show some weakness in the fall. Indeed, an early estimate that strong construction gains would continue probably led to the 7% flash estimates by the Department of Commerce. When the reduced growth in construction becomes apparent in September, GNP estimates will be lowered.

Business Activity

Manufacturing inventories almost certainly will increase as the year progresses, although the 0.4% gain in August remains surprisingly modest. Indeed, total business inventories were surprisingly weak in July, but are expected to expand in August. During July, wholesale inventories increased by 0.7%, but retail inventories declined by 0.5%. The lack of automobiles probably will lead to a further decline in retail inventories in August, but the advance of wholesale and manufacturing inventories should lead to a sizable gain for total inventories in that month. Inventories then will accumulate rapidly into the early months of 1984.

Although orders for durable goods appear to be rebounding slightly after a modest July setback, shipments of nondefense capital goods have moderated significantly. Indeed, producers' durables should show little gain in the third quarter. However, the temporary decline in orders during July has been reversed, suggesting that further increases can be anticipated in capital goods shipments.

Prices

Although the net effect of all the price changes is minimal, the pattern of price changes is dramatically altered by recent climatic events. Consumer prices are expected to grow much more slowly than previously anticipated for the remainder of 1983. They will then increase rapidly, virtually eliminating the gap between forecasted and expected values by the fall of 1984. Most of this increased price pressure will be felt in the second and third quarters of that year. However, shifts in composition will favor more modest increases in the GNP deflator than previously contemplated.

Miscellaneous

Oil imports were stronger than expected in August, as industry continued to increase inventories. Some moderation in this import growth should be anticipated in the months ahead. On the other hand, the value of agricultural products should rise sharply in the next six months. The impact of these two changes is to reduce merchandise trade deficits for the remainder of 1983. However, the deficits then start to increase again early in 1984 before some favorable response to a depreciating dollar is expected to intervene late that year.

Initial unemployment claims dropped sharply early in September, after rising significantly in August. The leading indicators could show strong increases in September following very modest changes in August. However, these changes must be only temporary. By the end of 1984 the leading indicators are expected to reach the same level as previously projected.

Financial Markets

A substantial increase in money demand that had been anticipated for September failed to materialize. To be sure, technical factors leading to a surge in the money supply in the first week were present. However, currency demand accelerated only modestly. In addition, foreign investors reduced their dollar transactions. Because of these changes, the money supply was able to fall within the Federal Reserve's latest targets. Reserves can begin to grow in the 6% range for the remainder of this year after showing no growth during the last 13 weeks.

Although the Federal Reserve probably has eased relative to its restrictive policies of the summer, there is no significant evidence that the Federal Reserve is more willing to accept above-target money growth than earlier in the year. Rather, the demand for money is beginning to slow. First, the magnitude of transactions in the equity markets and the change in valuation of those transactions has markedly slowed. Second, modest weakness in the dollar suggests that foreign investors no longer are eagerly seeking dollar-based transactions. Third, a closer relationship between changes in deposits and changes in currency than had prevailed earlier in the year suggests that most of the portfolio adjustments related to interest-bearing money-based assets has been achieved. Thus, money demand pressures have significantly eased, permitting a simultaneous slowing in the growth of money and a reduction in sensitive short-term interest rates.

The sources and uses of funds suggest that modest declines in interest rates are possible in the fourth quarter in comparison to third quarter averages. More substantial declines in interest rates are likely in the first quarter. After that time, the sources and uses of funds no longer support declining interest rates. While this modest decline in sensitive short-term rates may be sufficient to bring the prime rate to 10%, the most likely prospect is only a modest reduction in the prime rate before the end of this year. The federal funds rate has been trading above other sensitive rates in recent weeks. By the end of September, a 30-basis point differential had developed between commercial paper and the federal funds rate. This suggests that restrictive Federal Reserve activity has been a major factor in maintaining high sensitive short-term rates. As the money aggregates fall within target, those restrictions should cease, and the federal funds rate should fall below other sensitive rates.

Stock Market

Normally, declining interest rates and sharply rising corporate cash flows lead to significant gains in equity values. Indeed, our stock market formula now suggests that the Dow Jones average could sustain a value in excess of 1300 before the end of 1983. Stock market values approaching 1400 could be supported in the first quarter of 1984. After that time, rising interest rates and a sharp slowing in the growth of economic activity could prevent any further gains in equity values. Moreover, modest acceleration of industrial inflationary could lead to a modest deterioration in the quality of earnings. Therefore, peak equity values would be expected to occur early in 1984.

However, two factors are causing the equity markets to deviate from normal. First, we are approaching an election year. Concerns about overstimulating the economy for the purpose of providing short-term political gains continue to worry the markets. Our own assessment is that the President is well aware that such a program would not generate significant political benefits. However, political concerns will become more significant in determining equity values in the next year than normally occurs. The economic climate may not be as favorable as many Republicans currently expect. Therefore, the President's re-election, while probable, may be sufficiently in doubt to prevent any dramatic improvement in equity values.

Second, financial turmoil definitely is reigning in the transportation sector. The day after the Dow Jones reached a new high, the transportation index fell 16 points, the equivalent of more than a 40 point drop in the Dow Jones average. This poor performance is related to the unprofitably high cost structure of the trucking and airline industries. While some wage concessions are developing, they are not sufficiently widespread to insure survival of all carriers. Obviously, such a period of financial uncertainty must detract from the attractiveness of equity ownership.

The appropriate investment strategy may be to accumulate long-term bonds. When the transportation sector's problems have become fully understood, equity values should rebound.

EMPLOYMENT

	Payroll Employment		Index of Hours Worked		Household Civilian Employment		Civilian Unemployment Rate		Hourly Earnings Index	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
June 1983	89832	89844	105.7	105.7	100786	100786	10.0	10.0	154.8	154.8
July	90319	90202	106.3	106.1	101285	101285	9.5	9.5	155.2	155.2
August	90523	89791	106.6	105.2	101426	101563	9.4	9.5	156.0	155.0
September	90706	90645*	106.9	106.5*	101339	101688*	9.4	9.6*	156.9	155.7*
October	91025	90826	107.3	106.7	101846	101923	9.2	9.5	157.4	156.4
November	91368	91002	107.6	107.0	102291	102130	9.0	9.4	158.2	157.0
December	91705	91223	107.8	107.3	102703	102468	8.9	9.2	159.0	157.8
January 1984	91896	91406	108.1	107.5	102955	102606	8.8	9.2	159.7	158.5
February	92071	91582	108.3	107.6	103048	102803	8.7	9.1	160.3	159.2
March	92243	91748	108.6	107.9	103165	102993	8.6	9.1	161.0	159.9
April	92488	91936	108.9	108.1	103499	103202	8.5	9.0	161.7	160.5
May	92693	92147	109.1	108.4	103767	103463	8.5	8.9	162.5	161.2
June	92898	92355	109.3	108.7	104038	103677	8.5	8.8	163.3	161.9
July	93056	92528	109.5	108.9	104175	103885	8.5	8.8	163.9	162.5
August	93292	92771	109.7	109.2	104362	104000	8.5	8.9	164.5	163.1
September	93531	92994	109.9	109.4	104558	104337	8.5	8.8	165.2	163.9

PERSONAL INCOME

	Personal Income		Wage & Salary		Personal Savings		Disposable Income		Personal Outlays	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
June 1983	2.734	2.733	1.663	1.661	75.4	85.4	2.314	2.312	2.239	2.228
July	2.754	2.749	1.679	1.673	107.4	116.8	2.360	2.352	2.253	2.241
August	2.775	2.755	1.690	1.680	110.7	120.9	2.375	2.357	2.264	2.234
September	2.798	2.783*	1.706	1.697*	116.0	126.0*	2.390	2.381*	2.274	2.255*
October	2.820	2.802	1.720	1.711	115.9	121.8	2.409	2.396	2.293	2.274
November	2.841	2.819	1.730	1.722	118.5	117.3	2.429	2.409	2.311	2.292
December	2.862	2.840	1.741	1.736	120.1	118.7	2.448	2.426	2.328	2.307
January 1984	2.874	2.853	1.754	1.747	118.3	112.4	2.463	2.435	2.345	2.323
February	2.897	2.869	1.767	1.756	119.4	110.5	2.480	2.447	2.361	2.337
March	2.921	2.889	1.781	1.769	124.4	114.3	2.497	2.466	2.373	2.352
April	2.940	2.907	1.793	1.779	124.0	114.2	2.515	2.480	2.391	2.366
May	2.955	2.927	1.802	1.792	125.2	111.3	2.534	2.496	2.409	2.385
June	2.972	2.947	1.811	1.805	126.2	108.6	2.553	2.512	2.427	2.404
July	2.991	2.968	1.823	1.815	119.6	114.4	2.565	2.533	2.445	2.419
August	3.010	2.987	1.835	1.827	118.2	113.7	2.577	2.548	2.459	2.435
September	3.029	3.007	1.847	1.839	117.4	114.5	2.590	2.564	2.473	2.450

Fore. = August Forecast
C.E. = Current Expectations
* This item, and those beyond it, are projections

CONSUMPTION

	Personal Consumption		Durables		Nondurables		Services		Consumption Real	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
June 1983	2176.4	2164.8	286.3	284.1	807.5	807.7	1082.6	1073.0	1018.4	1018.1
July	2190.1	2177.1	284.5	285.5	810.3	808.3	1095.3	1083.3	1022.1	1017.8
August	2201.5	2170.1	287.6	275.1	811.8	812.4	1102.1	1082.6	1023.9	1009.6*
September	2210.9	2190.6*	290.4	288.1*	813.4	815.2*	1107.1	1087.3*	1023.9	1016.5
October	2229.6	2208.6	294.1	295.5	818.6	818.5	1116.9	1094.6	1028.8	1022.5
November	2246.7	2226.7	296.2	302.8	824.8	821.8	1125.7	1102.1	1032.7	1028.2
December	2263.8	2240.8	298.3	304.0	831.0	825.1	1134.5	1111.7	1036.3	1031.3
January 1984	2280.3	2256.9	301.1	306.9	833.9	830.5	1145.3	1119.5	1039.9	1035.1
February	2295.9	2270.1	303.8	307.4	836.3	833.8	1155.8	1128.9	1042.4	1036.6
March	2307.6	2285.3	306.5	309.0	838.7	838.8	1162.4	1137.5	1043.0	1039.7
April	2325.6	2298.7	309.1	307.6	844.7	843.9	1171.8	1147.2	1047.3	1041.0
May	2343.0	2317.9	310.7	310.7	850.4	850.6	1181.9	1156.6	1050.8	1045.4
June	2360.6	2335.6	312.3	313.2	856.2	856.6	1192.1	1165.8	1054.2	1048.6
July	2380.2	2350.9	314.7	315.6	860.7	861.7	1204.8	1173.6	1058.3	1050.4
August	2392.3	2365.7	316.2	315.1	865.1	867.8	1211.0	1182.8	1059.0	1051.3
September	2406.2	2380.4	317.8	316.3	869.8	873.0	1218.6	1211.1	1060.0	1052.5

RETAIL SALES

	Retail Sales		Non-Auto Durables		Auto (Million Units)		Nondurable Sales		Auto Sales	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
June 1983	98.69	99.17	12.98	13.15	10.1	10.1	66.35	66.51	19.36	19.56
July	98.66	98.95	12.93	13.08	9.7	9.7	66.57	66.53	19.16	19.35
August	99.34	97.60	12.90	13.27	10.0	9.1	66.69	66.77	19.75	17.57
September	99.79	99.30*	12.99	13.22*	10.1	9.6*	66.82	67.00*	19.98	19.08*
October	100.64	100.40	12.93	13.25	10.3	9.8	67.25	67.27	20.46	19.88
November	101.15	101.48	13.16	13.46	10.2	10.1	67.76	67.54	20.23	20.48
December	101.83	101.89	13.27	13.52	10.2	10.1	68.27	67.81	20.29	20.56
January 1984	102.38	102.67	13.43	13.55	10.3	10.2	68.51	68.26	20.44	20.86
February	103.10	102.99	13.50	13.53	10.5	10.3	68.71	68.53	20.89	20.93
March	103.69	103.58	13.53	13.50	10.7	10.4	68.90	68.94	21.26	21.14
April	104.18	103.84	13.48	13.53	10.7	10.3	69.40	69.36	21.30	20.95
May	104.82	104.74	13.45	13.56	10.8	10.4	69.86	69.91	21.51	21.27
June	105.25	105.51	13.58	13.63	10.7	10.5	70.34	70.40	21.33	21.48
July	105.89	106.20	13.82	13.71	10.7	10.6	70.71	70.82	21.36	21.67
August	106.42	106.64	13.80	13.78	10.8	10.5	71.07	71.32	21.55	21.54
September	106.87	107.21	13.80	13.83	10.9	10.5	71.32	71.75	21.75	21.63

Fore. = August Forecast
C.E. = Current Expectations
* This item, and those beyond it, are projections.

CONSTRUCTION

	Housing Starts		Single Family Starts		Housing Permits		Construction Expenditures (Current)		Construction Expenditures (Real)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
June 1983	1.747	1.736	1.103	1.127	1.745	1.761	259.7	263.1	163.7	165.8
July	1.765	1.785	1.154	1.025	1.726	1.782	262.8	267.7	165.3	168.1
August	1.803	1.935	1.196	1.135	1.685	1.666	264.6	272.8*	165.8	170.5*
September	1.676	1.764*	1.178	1.038*	1.582	1.553*	267.6	273.4	167.0	170.3
October	1.621	1.678	1.105	0.986	1.493	1.426	270.1	274.4	168.1	170.4
November	1.596	1.610	1.086	0.943	1.461	1.373	272.3	276.2	169.1	170.9
December	1.619	1.530	1.112	0.907	1.480	1.309	273.9	275.7	169.8	170.2
January 1984	1.572	1.522	1.065	0.926	1.443	1.315	274.6	273.4	169.8	168.2
February	1.584	1.490	1.094	0.915	1.451	1.294	274.7	272.5	169.4	167.1
March	1.542	1.499	1.075	0.937	1.406	1.308	274.8	272.9	168.9	166.9
April	1.496	1.508	1.016	0.955	1.311	1.318	275.7	274.5	169.0	167.4
May	1.445	1.504	0.968	0.938	1.265	1.318	276.6	276.5	169.3	168.1
June	1.433	1.510	0.974	0.951	1.269	1.335	277.7	277.5	169.6	168.3
July	1.492	1.559	1.012	0.982	1.312	1.387	278.1	279.4	169.5	168.9
August	1.509	1.625	1.024	1.043	1.348	1.462	278.6	281.8	169.5	169.8
September	1.522	1.652	1.038	1.062	1.345	1.477	279.1	285.4	169.6	171.9

	Private Non-Residential		Public Construction		Residential Construction	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
June 1983	99.5	99.6	47.9	49.6	112.4	113.8
July	99.0	99.5	48.9	50.5	114.9	117.7
August	98.5	100.4*	50.1	51.8*	116.0	120.6*
September	98.8	99.7	51.0	51.1	117.8	122.6
October	99.3	99.5	52.2	51.3	118.6	123.6
November	99.9	99.9	52.9	52.0	119.5	124.3
December	100.7	100.3	53.5	52.6	119.7	122.8
January 1984	101.2	101.0	54.6	53.4	118.8	119.0
February	101.5	101.5	55.7	53.9	117.5	117.1
March	101.8	102.1	56.9	55.0	116.1	115.8
April	103.0	102.5	57.3	55.9	115.4	116.1
May	103.0	103.2	58.0	56.4	115.6	116.9
June	103.1	103.0	58.8	57.0	115.8	117.5
July	104.3	103.7	59.3	57.5	114.5	118.2
August	105.0	104.5	59.8	58.1	113.8	119.2
September	105.7	105.3	60.2	58.9	113.2	121.2

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BUSINESS ACTIVITY

	Manufacturers Inventories		Durable Goods Orders		Non-Defense Capital Goods Orders		Non-Defense Capital Shipments	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
June 1983	257.2	257.4	89.89	90.90	23.27	24.28	23.02	23.62
July	259.0	258.4	87.12	88.23	22.94	21.58	22.92	22.57
August	261.1	259.9*	87.55	88.50	22.76	22.86	23.05	22.44
September	263.1	261.2	89.27	90.80*	23.11	23.25*	23.02	22.65*
October	265.0	262.7	91.13	92.16	23.62	23.47	23.37	22.89
November	266.9	264.5	92.65	93.43	24.15	23.72	23.65	23.06
December	268.1	266.0	94.29	95.67	24.41	24.41	23.82	23.20
January 1984	270.2	268.3	96.15	95.26	24.72	23.78	24.01	23.36
February	271.9	270.6	94.45	95.15	24.55	23.55	24.20	23.32
March	273.3	272.0	96.35	95.82	24.93	24.06	24.38	23.48
April	275.0	273.5	97.22	97.03	25.15	24.47	24.60	23.65
May	277.4	275.1	97.76	97.72	25.46	24.83	24.83	23.84
June	279.5	277.0	99.53	97.93	25.72	24.59	25.01	24.03
July	283.7	278.9	101.23	98.56	25.95	24.68	25.16	24.27
August	285.1	281.5	100.10	100.03	25.73	25.11	25.30	24.56
September	286.5	283.4	102.43	101.82	26.15	25.46	25.48	24.75

	Business Inventories		Defense Shipments		Industrial Production		Capacity Utilization	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
June 1983	506.5	505.5	5.33	5.34	145.9	146.3	74.5	74.7
July	510.7	506.7	5.43	5.68	147.2	149.2	75.1	76.1
August	513.3	511.3*	5.42	5.39	148.2	150.5	75.5	76.7
September	516.2	513.5	5.44	5.35*	149.3	151.6*	76.0	77.2*
October	518.4	516.2	5.63	5.48	150.3	152.1	76.5	77.4
November	521.9	519.7	5.75	5.60	151.2	152.6	76.9	77.6
December	525.3	522.6	5.95	5.69	152.1	153.0	77.3	77.8
January 1984	528.9	527.1	6.08	5.82	152.8	153.4	77.6	78.0
February	532.3	531.6	6.13	6.01	153.5	153.6	77.9	78.0
March	534.8	534.4	6.19	6.11	153.3	154.0	77.7	78.2
April	537.3	537.5	6.32	6.24	153.8	154.5	77.9	78.4
May	541.1	540.6	6.48	6.35	154.4	155.0	78.2	78.6
June	545.9	544.3	6.65	6.53	154.7	155.3	78.3	78.7
July	550.3	548.0	6.75	6.62	154.9	155.6	78.4	78.8
August	553.7	553.1	6.86	6.80	155.1	156.0	78.4	79.0
September	557.0	556.8	6.95	6.88	155.3	156.2	78.5	79.1

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PRICES

	CPI-U (seasonally adjusted)		PPI Finished Goods (seasonally adjusted)		PPI-Industrial Commodities (unadjusted)		Estimated GNP Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
June 1983	297.7	297.7	285.0	285.0	315.4	315.4	2.1573	2.1503
July	298.6	298.8	285.1	285.3	316.7	317.0	2.1639	2.1579
August	299.6	299.9	286.2	286.4	317.0	318.0	2.1762	2.1648
September	300.7	300.8*	287.0	287.8*	317.6	318.1*	2.1885	2.1712
October	301.7	301.5	287.9	288.8	319.5	320.1	2.1973	2.1798
November	302.8	302.3	288.8	289.6	320.4	321.4	2.2039	2.1859
December	303.7	303.3	289.7	290.7	321.6	322.4	2.2099	2.1929
January 1984	305.0	304.4	291.1	291.8	323.0	323.7	2.2208	2.2011
February	306.5	305.7	293.0	293.1	324.1	325.0	2.2325	2.2076
March	308.3	306.9	294.8	294.3	325.2	326.1	2.2460	2.2183
April	309.6	308.3	295.3	295.6	326.5	327.4	2.2518	2.2265
May	310.9	309.6	296.2	296.8	327.8	328.7	2.2596	2.2359
June	312.3	311.0	297.5	298.1	329.1	330.0	2.2683	2.2457
July	313.6	312.6	299.0	299.6	330.5	330.9	2.2781	2.2560
August	314.9	314.3	300.6	301.2	331.9	332.0	2.2878	2.2674
September	316.2	315.9	302.1	302.5	332.3	332.3	2.2972	2.2769

	Consumption Deflator		Consumer Durables		Consumer Nondurables		Consumer Services		Implicit Construction Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
June 1983	213.7	212.6	178.1	177.2	214.6	213.7	224.7	223.7	158.6	158.6
July	214.3	213.9	178.5	178.6	214.8	214.8	225.6	224.9	159.0	159.2
August	215.0	215.0*	179.1	179.5*	215.0	215.7*	226.9	225.7*	159.6	160.0*
September	215.9	215.5	179.6	180.3	215.7	216.3	228.2	226.6	160.2	160.5
October	216.7	216.0	180.0	180.5	216.5	216.6	229.2	227.6	160.7	161.0
November	217.6	216.6	180.5	181.1	217.4	217.0	230.1	228.5	161.0	161.6
December	218.5	217.3	181.1	181.6	218.3	217.3	231.1	229.6	161.3	162.0
January 1984	219.3	218.0	181.5	182.1	219.0	217.8	232.2	230.7	161.7	162.5
February	220.2	219.0	181.9	182.5	219.7	218.5	233.6	232.0	162.2	163.1
March	221.2	219.8	182.4	183.0	220.5	219.1	235.0	233.1	162.7	163.5
April	222.1	220.8	182.8	183.6	221.3	220.0	236.0	234.2	163.1	164.0
May	223.0	221.7	183.3	184.0	222.4	221.2	236.9	235.1	163.4	164.5
June	223.9	222.7	183.9	184.6	223.5	222.5	237.8	236.0	163.7	164.9
July	224.9	223.8	184.4	185.0	224.3	223.9	239.0	237.1	164.1	165.4
August	225.9	225.0	185.0	185.6	225.3	225.3	240.3	238.3	164.4	166.0
September	227.0	226.2	185.6	186.2	226.3	226.6	241.5	239.5	164.7	166.6

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MISCELLANEOUS

	Merchandise Trade Balance		Leading Indicators		Estimated GNP		Estimated GNP (1972 $)		IVA (annual rate)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
June 1983	-4960	-4960	155.9	157.1	3301	3300	1530	1534	7.6	10.2
July	-5710	-6360	156.9	158.3	3335	3326	1541	1541	11.6	11.6
August	-5346	-7190	157.7	158.1	3374	3352	1550	1548	14.5	13.5
September	-5592	-6647*	158.0	158.6*	3405	3385	1556	1559	18.1	13.8
October	-4865	-5928	157.8	159.0	3431	3416	1561	1567	17.8	14.9
November	-5582	-6365	158.3	159.0	3460	3440	1570	1571	17.2	15.5
December	-7115	-6772	158.8	158.7	3488	3461	1578	1578	17.5	15.2
January 1984	-5564	-5884	159.6	159.5	3520	3487	1585	1584	16.1	16.3
February	-5927	-6628	160.5	160.3	3545	3505	1588	1588	13.7	16.0
March	-5872	-6943	161.7	161.1	3572	3536	1590	1594	12.9	15.8
April	-5015	-7356	161.5	161.8	3596	3556	1597	1597	15.4	16.2
May	-5629	-6982	162.4	162.3	3626	3587	1605	1604	16.1	16.0
June	-6847	-6746	163.2	163.0	3655	3617	1611	1610	16.9	16.6
July	-5575	-6558	163.9	163.7	3679	3639	1615	1613	17.0	17.3
August	-6463	-6126	164.6	164.5	3700	3667	1617	1617	17.3	17.0
September	-7026	-6082	165.1	165.2	3720	3690	1618	1621	17.6	16.9

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FINANCIAL MARKETS

	Monetary Base		M1		M2		Federal Funds		T-Bills (6 Mos.)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
June 1983	194.6	194.6	511.7	511.7	2114.5	2114.8	8.98	8.98	8.89	8.89
July	195.3	195.0	515.6	515.5	2129.3	2125.8	9.37	9.37	9.26	9.26
August	195.8	196.1	515.3	516.6	2140.5	2136.2	9.46	9.56	9.44	9.51
September	196.4	197.1*	515.7	519.3*	2151.9	2149.6*	9.45	9.46*	9.52	9.25*
October	197.7	198.2	519.4	521.7	2169.7	2163.8	9.70	9.16	9.80	8.94
November	199.0	199.0	523.1	523.6	2188.2	2178.2	9.75	9.12	9.87	8.92
December	200.2	200.1	527.5	526.7	2207.5	2196.5	9.63	8.76	9.82	8.53
January 1984	201.2	201.3	529.4	529.6	2221.4	2214.1	9.55	8.62	9.61	8.41
February	202.3	202.5	531.7	532.6	2238.9	2232.2	9.46	8.46	9.14	8.29
March	203.4	203.3	534.1	534.3	2255.6	2246.0	9.38	8.62	8.89	8.45
April	204.6	204.6	537.5	538.1	2274.4	2267.6	9.27	8.53	8.85	8.63
May	205.8	205.7	540.4	540.8	2291.8	2285.8	9.18	8.94	8.81	8.99
June	207.0	207.0	543.5	544.0	2309.7	2305.1	9.23	8.86	8.88	9.05
July	208.2	208.0	545.7	546.4	2326.4	2322.2	9.16	8.69	8.68	8.86
August	209.3	208.9	548.0	548.6	2340.5	2338.5	9.03	8.91	8.62	8.90
September	210.2	210.0	550.6	551.3	2354.3	2357.0	9.00	9.07	8.55	8.95

	Aaa (Seasoned)		Municipals (Bond Buyer)		(3 Month) Commercial Paper		90 Day CD's		Prime Rate	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
June 1983	11.74	11.74	9.56	9.52	9.00	9.00	9.20	9.20	10.50	10.50
July	12.15	12.15	9.53	9.53	9.25	9.25	9.50	9.50	10.50	10.50
August	12.33	12.51	9.68	9.72	9.38	9.54	9.72	9.77	11.18	10.89
September	12.50	12.40*	9.85	9.62*	9.46	9.28*	9.85	9.46*	11.50	11.00*
October	12.61	12.13	9.96	9.36	9.79	9.05	10.15	9.29	11.79	11.00
November	12.69	12.05	10.06	9.25	9.85	8.89	10.21	9.11	12.00	10.78
December	12.73	11.76	10.06	9.03	9.72	8.78	10.18	9.02	12.00	10.50
January 1984	12.59	11.67	9.88	8.87	9.59	8.58	9.86	8.86	12.00	10.50
February	12.46	11.55	9.78	8.80	9.48	8.53	9.72	8.80	12.00	10.50
March	12.34	11.59	9.63	8.84	9.42	8.66	9.65	8.91	12.00	10.50
April	12.19	11.52	9.51	8.80	9.35	8.67	9.61	8.95	11.86	10.50
May	12.15	11.68	9.42	8.86	9.15	8.85	9.49	9.08	11.50	10.50
June	12.14	11.63	9.41	8.87	9.18	8.94	9.55	9.19	11.50	10.50
July	11.95	11.49	9.25	8.72	9.20	8.76	9.56	9.02	11.50	10.50
August	11.78	11.63	9.12	8.88	9.06	8.91	9.39	9.11	11.50	10.50
September	11.75	11.72	9.05	9.01	9.05	9.07	9.28	9.32	11.50	10.58

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